

OFFICIAL STATEMENT

NEW ISSUE BOOK ENTRY ONLY

Rating by Standard and Poor's (See "RATING: herein")

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, until any Reset Date or Fixed Rate Adjustment Date, the interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986 and such interest is an item of tax preference for purposes of the federal individual and corporate alternative minimum taxes. In the further opinion of Bond Counsel, such interest is exempt from State of California personal income taxes. See "TAX MATTERS" herein.

\$49,600,000
ABAG Finance Authority for Nonprofit Corporations
Variable Rate Demand
Multifamily Housing Revenue Bonds
(Paragon Apartments at the Crossing),
Series 2005A
CUSIP Number: 00037N LU 8

Dated: Date of Delivery

Price: 100%

Maturity Date: March 15, 2040

The above captioned ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A (the "Bonds") are being issued under a Trust Indenture, dated March 1, 2005 (the "Indenture"), by and between the ABAG Finance Authority for Nonprofit Corporations (the "Issuer") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be used to fund a loan (the "Loan") by the Issuer to The Crossing Apartment Associates II LLC, a Delaware Limited Liability Company (the "Borrower"), to finance a portion of the costs of the acquisition and construction of Paragon Apartments at the Crossing (the "Project" or the "Mortgaged Property") located in the City of San Bruno in the County of San Mateo, California (the "County"). The Project is to be occupied in part by persons and families of very low income, to the extent required by federal tax law and California law. The Loan is to be made pursuant to a Financing Agreement, dated as of March 1, 2005 (the "Financing Agreement"), among the Issuer, the Borrower and the Trustee.

The Bonds will bear interest initially at the Weekly Variable Rate. The Weekly Variable Rate will be determined on a weekly basis as described herein. Interest on the Bonds will be payable on the fifteenth day of each month, commencing April 15, 2005. Subject to satisfaction of certain conditions in the Indenture, the Bonds may be adjusted to one of the other interest rate Modes permitted by the Indenture (other permitted Modes being a Daily Rate Mode, a Reset Rate Mode and the Fixed Rate Mode). Any such adjustment will apply to all of the Bonds. If the Bonds are proposed to be adjusted to one of the other Modes, the Bonds will be subject to mandatory tender for purchase. See "THE BONDS – Tender" herein.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE PERIOD BEGINNING ON THE CLOSING DATE AND ENDING ON THE LATER OF THE MATURITY DATE OR THE DATE ON WHICH THE INTEREST RATE ON ALL OF THE BONDS IS ADJUSTED TO A DAILY RATE, RESET RATE, OR TO THE FIXED RATE. DURING SUCH PERIOD, PAYMENTS DUE ON THE BONDS ARE SECURED BY THE CREDIT FACILITY DESCRIBED HEREIN. THE CREDIT FACILITY ALSO SECURES THE PURCHASE PRICE OF BONDS TENDERED PURSUANT TO THE INDENTURE.

Payment of the principal of and interest on the Bonds will be secured, to the extent set forth in the Indenture, by the Loan and by certain other resources and assets constituting the Trust Estate under the Indenture, all as described herein. In addition, credit enhancement and liquidity support for the Bonds will be provided by Comerica Bank, a Michigan banking corporation (the "Bank") pursuant to an irrevocable direct pay letter of credit (the "Letter of Credit"). The Letter of Credit will initially expire on March 30, 2008 (the "Letter of Credit Expiration Date"), subject to two twelve-month extension options, but is subject to earlier termination as described herein. See "APPENDIX H - FORM OF THE LETTER OF CREDIT" attached hereto.



If the Conditions to Conversion (set forth in the Construction Phase Financing Agreement, dated as of March 1, 2005 (the "Construction Phase Financing Agreement"), among Fannie Mae, the Bank and GMAC Commercial Mortgage Corporation (the "Loan Servicer") and relating primarily to completion of construction of the Project and its stabilization at a specified level of occupancy) of the Loan from the Construction Phase to the Permanent Phase (as each such term is defined in the Construction Phase Financing Agreement) are satisfied (or waived by Fannie Mae, where waiver is permitted) on or before the Termination Date specified in the Construction Phase Financing Agreement such that the Loan Servicer issues the Conversion Notice (as defined in the Indenture) on or before the Termination Date, the Loan will convert from the Construction Phase to the Permanent Phase ("Conversion") on a date (the "Conversion Date") specified by the Loan Servicer. If Conversion does occur, the Letter of Credit will be replaced on the Conversion Date by a Direct Pay Irrevocable Transferable Credit Enhancement Instrument, issued by Fannie Mae (the "Fannie Mae Credit Facility") pursuant to and subject to the limitations of which Fannie Mae will provide credit enhancement and liquidity support for the Bonds. The liquidity commitment of Fannie Mae in the Fannie Mae Credit Facility will expire in advance of the maturity date of the Bonds and be subject to early termination as provided in the Fannie Mae Credit Facility. Early termination of the liquidity commitment will cause a Mandatory Tender of the Bonds. See "APPENDIX I - PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY" attached hereto. If any Condition to Conversion is not satisfied (and such condition is not waived by Fannie Mae, where waiver is permitted) on or before the Termination Date, Fannie Mae will not have any obligation to deliver the Fannie Mae Credit Facility and will not have any obligations with respect to the Bonds or the Loan. There can be no assurance that Conversion will occur. In addition, if the principal amount of the Loan is prepaid in part by the Borrower prior to and as a condition to Conversion of the Loan from the Construction Phase to the Permanent Phase to reduce the principal amount of the Loan to an amount less than \$49,600,000 in order to satisfy Fannie Mae's underwriting requirements for the Loan, the Bonds will be subject to corresponding mandatory redemption, in part, in an amount equal to such prepayment. If such prepayment in part is not made, Conversion will not occur and Fannie Mae will not have any obligation to deliver the Fannie Mae Credit Facility and will not have any obligations with respect to the Bonds.

THE INDENTURE REQUIRES THAT THE TRUSTEE PROVIDE WRITTEN NOTICE OF CONVERSION TO THE BONDHOLDERS NOT LESS THAN FIFTEEN (15) BUSINESS DAYS PRIOR TO THE CONVERSION DATE, BUT CONVERSION DOES NOT REQUIRE THE CONSENT OF THE BONDHOLDERS AND WILL NOT TRIGGER A MANDATORY TENDER OF THE BONDS ON THE CONVERSION DATE. IN LIGHT OF THE FOREGOING, PROSPECTIVE BONDHOLDERS SHOULD ANALYZE THE CREDIT AND LIQUIDITY QUALIFICATIONS OF BOTH THE BANK AND FANNIE MAE IN MAKING ANY INVESTMENT DECISION REGARDING THE BONDS. IF CONVERSION DOES NOT OCCUR, FANNIE MAE WILL NOT HAVE ANY OBLIGATION TO PROVIDE THE FANNIE MAE CREDIT FACILITY FOR THE BONDS, AND WILL NOT OTHERWISE HAVE ANY OBLIGATION WITH RESPECT TO THE BONDS OR THE LOAN.

The Bonds are fully registered bonds, without coupons, in the denomination of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book entry only form. DTC will act as securities depository for the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. Purchasers of beneficial interests in the Bonds will not receive physical delivery of Bonds. Payments of principal of, premium, if any, and interest on the Bonds and the payment of the purchase price of Tendered Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee, so long as DTC is the registered owner of the Bonds. DTC will remit such payments to the applicable DTC Participants. The disbursements of such payments will be made by DTC Participants to the beneficial owners of the Bonds. See "THE BONDS – Book Entry Only System" herein.

So long as the Bonds bear interest at a Weekly Variable Rate or Daily Variable Rate, the registered owners of the Bonds will have the right to tender their Bonds for purchase to Wells Fargo Bank, National Association, as Tender Agent, at its designated office, on any Business Day upon written notice, which notice must be at least seven days in advance of the requested tender date so long as the Bonds bear interest at a Weekly Variable Rate and by 9:00 a.m. on the requested tender date so long as the Bonds are in a Daily Variable Rate. The Bonds are subject to mandatory tender and purchase on each Adjustment Date, upon replacement of the Credit Facility with an Alternate Credit Facility and under certain other circumstances, as provided in the Indenture. See "THE BONDS - Tender" herein. The Bonds are subject to optional and mandatory redemption, including redemption at par, prior to maturity. See "THE BONDS – Redemption Provisions" herein.

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE, WHICH IS SPECIFICALLY ASSIGNED AND PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE. NONE OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE ISSUER OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER OR ABAG OR ANY OF THEIR MEMBERS FOR ALL OR ANY PORTION OF THE BOND PAYMENTS. NEITHER THE BONDS NOR THE OBLIGATION OF THE ISSUER TO MAKE THE BOND PAYMENTS CONSTITUTES A DEBT OR LIABILITY OF THE ISSUER OR ABAG OR THE MEMBERS OF THE ISSUER OR ABAG, OR OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION; AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREFOR. NEITHER THE FAITH, REVENUES, CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR OF ANY AGENCY THEREOF AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE A SPECIAL LIMITED OBLIGATION OF THE ISSUER, PAYABLE, AS TO PRINCIPAL AND INTEREST, SOLELY OUT OF THE TRUST ESTATE. THE ISSUER HAS NO TAXING POWER.

THE ISSUER MAKES NO REPRESENTATION THAT INTEREST ON THE BONDS IS EXCLUDED FROM THE GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES OR THAT INTEREST ON THE BONDS IS EXEMPT FROM CALIFORNIA INCOME TAXES.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS WILL ARISE ON THE CONVERSION DATE AND, THEREFORE, ONLY IF CONVERSION OCCURS. THE OBLIGATIONS OF FANNIE MAE ARISING ON THE CONVERSION DATE WILL BE SOLELY AS PROVIDED IN THE FANNIE MAE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE FANNIE MAE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER OWNED CORPORATION. FANNIE MAE'S OBLIGATIONS WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OF THE UNITED STATES OF AMERICA, OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the opinion as to certain matters of Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Jones Hall, A Professional Law Corporation, San Francisco, California; for the Bank by Rutan & Tucker, LLP, Costa Mesa, California; for Fannie Mae by its special counsel, O'Melveny & Myers LLP; for the Underwriter by Eichner & Norris PLLC, Washington, D.C.; and for the Borrower by Pillsbury Winthrop LLP, San Francisco, California. Public Financial Management, Inc. has served as the financial advisor to the Borrower in this transaction. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about March 18, 2005.



a Division of GMAC Commercial Holding Capital Markets Corp.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Issuer, the Borrower, the Bank, Fannie Mae or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any or the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information in this Official Statement has been obtained from the Issuer, the Borrower, the Bank, Fannie Mae and DTC and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter, the Remarketing Agent, the Issuer, the Bank or Fannie Mae, except (i) as to the Issuer, with respect to the information under the captions “ISSUER” and “NO LITIGATION – The Issuer” herein, (ii) as to the Bank, with respect to the description under the caption “THE BANK” herein, and (iii) as to Fannie Mae, with respect to the description under the caption “FANNIE MAE” herein.

The Issuer has not provided or approved any information in this Official Statement, except as provided above, and takes no responsibility for any other information contained in this Official Statement.

Fannie Mae has not provided or approved any information in this Official Statement except with respect to the description under the caption “FANNIE MAE,” takes no responsibility for any other information contained in this Official Statement, and makes no representation as to the contents of this Official Statement (other than with respect to the description under the caption “FANNIE MAE”). Without limiting the foregoing, Fannie Mae makes no representation as to the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Fannie Mae’s role with respect to the Bonds is limited to issuing the Fannie Mae Commitment described herein and providing the Fannie Mae Credit Facility described herein to the Trustee, but only if Conversion occurs.

The Bank does not assume, nor will it assume, any responsibility as to the completeness or accuracy of any of the information contained in this Official Statement, all of which has been furnished by others, with the exception of the information which appears under the caption “THE BANK,” which was provided by the Bank. Without limiting the foregoing, the Bank makes no representation as to the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. The Bank’s role with respect to the Bonds is limited to providing the Letter of Credit described herein to the Trustee.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the information referenced herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE

PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

relating to

\$49,600,000

**ABAG Finance Authority for Nonprofit Corporations
Variable Rate Demand
Multifamily Housing Revenue Bonds
(Paragon Apartments at the Crossing),
Series 2005A**

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, which includes the cover page and Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices hereto, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in the Indenture, the Financing Agreement, the Regulatory Agreement, the Bank Reimbursement Agreement, the Fannie Mae Reimbursement Agreement and the Letter of Credit (as each such term is hereinafter defined).

Issuance of Bonds

This Official Statement and the Appendices hereto set forth certain information relating to the ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A (the “Bonds”). Certain capitalized terms used in this Official Statement are defined in “APPENDIX A – SUMMARY OF CERTAIN DEFINITIONS” attached hereto.

The Bonds are being issued by the ABAG Finance Authority for Nonprofit Corporations (the “Issuer”) pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the “Act”) and pursuant to a Trust Indenture, dated as of March 1, 2005 (the “Indenture”), between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

The Bonds are being issued by the Issuer to provide funding for a loan (the “Loan”) by the Issuer to The Crossing Apartment Associates II LLC, a Delaware Limited Liability Company (the “Borrower”), for the purpose of financing a portion of the costs of the acquisition and construction of a multifamily rental housing project to be known as Paragon Apartments at the Crossing (the “Project” or the “Mortgaged Property”) located in the City of San Bruno in the County of San Mateo, California (the “County”). The Project is to be occupied in part by persons and families of very low income, to the extent required by federal tax law and California law. See “THE PROJECT AND THE PRIVATE PARTICIPANTS” herein. The Loan is being made pursuant to a Financing Agreement, dated as of April 1, 2004 (the “Financing Agreement”), among the Issuer, the Borrower and the Trustee.

The Bonds are being issued in the original principal amount of \$49,600,000, pursuant to the Indenture and the Financing Agreement. Pursuant to the Indenture, the Issuer has assigned the Financing Agreement (including all of the rights of the Issuer thereunder except for the Issuer’s Reserved Rights),

together with other property comprising the Trust Estate, to the Trustee for the benefit of the registered owners of the Bonds and Comerica Bank (the “Bank,” as “Credit Provider”).

Origination of the Loan

The Loan is evidenced by a Multifamily Note, dated as of March 1, 2005 (the “Note”) executed by the Borrower in favor of the Issuer and assigned to the Trustee, as described below. The Note is a nonrecourse obligation of the Borrower subject to certain exceptions. The Note is secured by (i) prior to the Conversion Date, a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Construction Trust Deed), dated as of March 1, 2005, together with all riders and exhibits, securing the Note and the obligations of the Borrower to the Bank under the Bank Documents, and (ii) from and after the Conversion Date, an Amended and Restated Multifamily Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of the Conversion Date, together with all riders and exhibits, securing the Note and the obligations of the Borrower to Fannie Mae under the Credit Facility Documents (collectively, the “Security Instrument”). The Security Instrument will be amended and restated on the Conversion Date and will run to the benefit of the Issuer and Fannie Mae from and after the Conversion Date. The Loan, including the Note and the Security Instrument will be assigned, pursuant to the Indenture, to the Trustee as part of the Trust Estate. In addition, the Issuer, the Trustee and the Bank entered into an Assignment and Intercreditor Agreement (the “Assignment”), dated as of March 1, 2005, to be acknowledged, accepted and agreed to by the Borrower, providing for the assignment of, and control over and exercise of certain rights and interests of the Issuer relating (among other things) to, the Loan, the Note and the Security Instrument (collectively, the “Assigned Rights”) to the Trustee and the Bank, and their respective successors and assigns, as their interests may appear. Pursuant to the Assignment, the Bank has the exclusive right to exercise all rights and remedies (other than Reserved Rights) under the Note, Security Instrument, the Financing Agreement and all of the other Loan Documents (the “Assigned Documents”). The Bank also has the right at any time, upon filing with the Trustee a certification reaffirming the Bank’s obligations under the Credit Facility, to direct the Trustee to assign all of its right, title and interest in and to the Assigned Documents to the Bank.

Credit Enhancement and Liquidity Support

The Bank has agreed, pursuant to the terms and subject to the conditions of the Reimbursement Agreement, dated as of March 1, 2005 (the “Bank Reimbursement Agreement”), between the Bank and the Borrower, as amended, to facilitate the financing of the Project by providing credit enhancement and liquidity support for the Bonds pursuant to, and subject to the limitations of, an Irrevocable Letter of Credit (the “Letter of Credit”). See “APPENDIX H – FORM OF THE LETTER OF CREDIT” attached hereto. The Letter of Credit is in the face amount of \$50,154,433.00 of which (i) \$49,600,000.00 will be available to the Trustee to pay the principal of the Bonds at maturity or upon redemption or acceleration or to pay the portion of the purchase price of Tendered Bonds representing the principal amount of the Tendered Bonds, and (ii) \$554,433.00 (representing thirty-four (34) days of interest on the maximum aggregate principal amount of Outstanding Bonds that may be issued under the Indenture calculated at the rate of twelve percent (12%) per annum and computed on the basis of a 365 or 366 day year, as applicable) will be available to pay interest on the Bonds or to pay the portion of the purchase price of Tendered Bonds representing accrued interest on the Tendered Bonds. The Maximum Available Credit is subject to reduction and reinstatement in accordance with the terms of the Letter of Credit. The Letter of Credit initially expires on March 30, 2008 (the “Letter of Credit Expiration Date”), subject to two twelve-month extension option, but is subject to earlier termination in certain events. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE BANK REIMBURSEMENT AGREEMENT” attached hereto.

Fannie Mae has agreed, pursuant to the terms of the Fannie Mae Commitment to the Loan Servicer (the “Fannie Mae Commitment”), but only upon (i) satisfaction of the conditions contained in the Fannie Mae Commitment and (ii) satisfaction of the Conditions to Conversion contained in the Construction Phase Financing Agreement (the “Construction Phase Financing Agreement”), dated as of March 1, 2005, among Fannie Mae, the Loan Servicer, and the Bank, and acknowledged, accepted and agreed to by the Borrower, on or before the Termination Date (as defined in the Construction Phase Financing Agreement and as specified below), to facilitate the financing of the Project in the Permanent Phase (as defined in the Construction Phase Financing Agreement) by providing credit enhancement and liquidity support for the Bonds effective on the Conversion Date, if it occurs, pursuant to, and subject to the limitations of, a Direct Pay Irrevocable Transferable Credit Enhancement Instrument (the “Fannie Mae Credit Facility”). The liquidity commitment of Fannie Mae in the Fannie Mae Credit Facility will expire in advance of the maturity date of the Bonds and be subject to early termination as provided in the Fannie Mae Credit Facility. Early termination of the liquidity commitment will cause a Mandatory Tender of the Bonds. See “APPENDIX I – PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY” attached hereto and “THE BONDS – Tender”. For purposes of the Fannie Mae Commitment and the Construction Phase Financing Agreement, the Permanent Phase begins on the Conversion Date. Accordingly, if Conversion of the Loan from the Construction Phase to the Permanent Phase occurs (“Conversion”), the Fannie Mae Credit Facility will be effective, and will replace the Letter of Credit, on the Conversion Date.

In order to provide for the orderly substitution of the Fannie Mae Credit Facility for the Letter of Credit as the credit enhancement and liquidity facility for the Bonds in the Permanent Phase if Conversion occurs, the Issuer, the Trustee and the Bank have agreed, the provisions of the Indenture contemplate, and the Bondholders by their acceptance of the Bonds under the terms of the Indenture will have agreed, that if the Loan Servicer issues the Conversion Notice on or before the Termination Date establishing that the Conditions to Conversion have been satisfied or, to the extent not satisfied, have been waived by Fannie Mae, the Fannie Mae Credit Facility will, on the Conversion Date, replace the Letter of Credit as the credit enhancement and liquidity facility for the Bonds.

In order to ensure continuous credit enhancement and liquidity support for the Bonds, the Conversion Date, if it occurs, must, under the terms of the Construction Phase Financing Agreement, occur on or before the Letter of Credit Expiration Date.

Conversion

If the Conditions to Conversion set forth in the Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae, where waiver is permitted) the Loan Servicer is, on or before the Termination Date, to issue the Conversion Notice. If the Loan Servicer issues the Conversion Notice on or before the Termination Date, the Loan will convert from the Construction Phase to the Permanent Phase on the Conversion Date (which will be the 15th day of the calendar month, or, if such day is not a Business Day, the next succeeding Business Day) specified by the Loan Servicer and the Bank will, on the Conversion Date, assign to Fannie Mae all of the Assigned Rights assigned by the Issuer to the Bank pursuant to the Assignment. If, however, any Condition to Conversion is not satisfied on or before the Termination Date (or, to the extent not satisfied, such condition is not waived by Fannie Mae, where waiver is permitted) with the result that the Loan Servicer fails to issue the Conversion Notice on or before the Termination Date, Conversion will not occur.

The Termination Date is March 15, 2008, and is subject to extension by the Loan Servicer (upon compliance with Fannie Mae requirements) or by Fannie Mae, in its discretion, to a date not later than March 15, 2010.

IF CONVERSION DOES NOT OCCUR, FANNIE MAE WILL NOT HAVE ANY OBLIGATION TO PROVIDE THE FANNIE MAE CREDIT FACILITY FOR THE BONDS, AND WILL NOT OTHERWISE HAVE ANY OBLIGATION WITH RESPECT TO THE BONDS OR THE LOAN.

The Conditions to Conversion include, for example, completion of construction of the Project and the achievement of a specified level of occupancy from the leasing of units in the Project. No assurance can be given that all of the Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur.

In addition, even if Conversion occurs, no assurance can be given that the principal amount of the Loan, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the Loan. If the principal amount of the Loan, as finally determined in accordance with the Construction Phase Financing Agreement, is less than the original principal amount of the Loan, the principal amount of the Loan must, as a Condition to Conversion, be reduced by the Borrower's prepayment of the Loan in part (a "Pre-Conversion Loan Equalization Payment"). Upon such Pre-Conversion Loan Equalization Payment, a corresponding portion of the Bonds will be subject to mandatory redemption. Any such mandatory redemption will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the Redemption Date. No such redemption will be made at a premium. If such prepayment in part is not made, Conversion will not occur. If Conversion does not occur, Fannie Mae will not have any obligation to deliver the Fannie Mae Credit Facility and will not have any obligation with respect to the Bonds or the Loan.

THE INDENTURE REQUIRES THAT THE TRUSTEE PROVIDE WRITTEN NOTICE OF CONVERSION TO THE BONDHOLDERS NOT LESS THAN FIFTEEN (15) BUSINESS DAYS PRIOR TO THE CONVERSION DATE, BUT CONVERSION DOES NOT REQUIRE THE CONSENT OF THE BONDHOLDERS AND WILL NOT TRIGGER A MANDATORY TENDER OF THE BONDS ON THE CONVERSION DATE. IN LIGHT OF THE FOREGOING, PROSPECTIVE BONDHOLDERS SHOULD ANALYZE THE CREDIT AND LIQUIDITY QUALIFICATIONS OF BOTH THE BANK AND FANNIE MAE IN MAKING ANY INVESTMENT DECISION REGARDING THE BONDS.

Pursuant to the terms of an Achievement Agreement, dated as of March 1, 2005, (the "Achievement Agreement") between the Borrower and the Credit Provider, the Borrower will have until March 15, 2015 for the Project to achieve a level whereby it generates sufficient revenues to support the outstanding Note amount. Should Project revenues not be sufficient to support the outstanding Loan Amount by the earlier of (i) March 15, 2015, or (ii) a date chosen by the Borrower, the Note will be reduced and a corresponding portion of the Bonds will be subject to mandatory redemption. See "THE BONDS – Redemption Provisions – Mandatory Redemption – Achievement Agreement" herein. Fannie Mae reserves the right to amend, supplement, waive or otherwise modify the terms of the Achievement Agreement.

In order to assure compliance with the applicable provisions of the Internal Revenue Code of 1986, as amended, the Borrower, the Issuer and the Trustee entered into an Regulatory Agreement and Declaration of Restrictive Covenants, dated as of March 1, 2005 (the "Regulatory Agreement"), which requires that at least 20% of the residential rental units in the Project be occupied by persons and families whose incomes satisfy certain provisions of the Act and the Internal Revenue Code of 1986, as amended (the "Code"). See "APPENDIX D — SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT," attached hereto and "THE PROJECT AND THE PRIVATE PARTICIPANTS – Rental Restrictions" herein.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE PERIOD BEGINNING ON THE CLOSING DATE AND ENDING ON THE LATER OF THE MATURITY DATE OR THE DATE ON WHICH THE INTEREST RATE ON ALL OF THE BONDS IS ADJUSTED TO A DAILY RATE, RESET RATE, OR TO THE FIXED RATE. DURING SUCH PERIOD, PAYMENTS DUE ON THE BONDS ARE SECURED BY THE CREDIT FACILITY DESCRIBED HEREIN. THE CREDIT FACILITY ALSO SECURES THE PURCHASE PRICE OF BONDS TENDERED PURSUANT TO THE INDENTURE.

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE, WHICH IS SPECIFICALLY ASSIGNED AND PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE. NONE OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE ISSUER OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER OR ABAG OR ANY OF THEIR MEMBERS FOR ALL OR ANY PORTION OF THE BOND PAYMENTS. NEITHER THE BONDS NOR THE OBLIGATION OF THE ISSUER TO MAKE THE BOND PAYMENTS CONSTITUTES A DEBT OR LIABILITY OF THE ISSUER OR ABAG OR THE MEMBERS OF THE ISSUER OR ABAG, OR OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION; AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREFOR. NEITHER THE FAITH, REVENUES, CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR OF ANY AGENCY THEREOF AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE A SPECIAL LIMITED OBLIGATION OF THE ISSUER, PAYABLE, AS TO PRINCIPAL AND INTEREST, SOLELY OUT OF THE TRUST ESTATE. THE ISSUER HAS NO TAXING POWER.

THE ISSUER MAKES NO REPRESENTATION THAT INTEREST ON THE BONDS IS EXCLUDED FROM THE GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES OR THAT INTEREST ON THE BONDS IS EXEMPT FROM CALIFORNIA INCOME TAXES.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS WILL ARISE ON THE CONVERSION DATE AND, THEREFORE, ONLY IF CONVERSION OCCURS. THE OBLIGATIONS OF FANNIE MAE ARISING ON THE CONVERSION DATE WILL BE SOLELY AS PROVIDED IN THE FANNIE MAE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE FANNIE MAE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER OWNED CORPORATION. FANNIE MAE'S OBLIGATIONS WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OF THE UNITED STATES OF AMERICA, OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Summaries of the Indenture, the Financing Agreement, the Regulatory Agreement, the Bank Reimbursement Agreement, the Fannie Mae Reimbursement Agreement and the form of the Letter of Credit and the proposed form of the Fannie Mae Credit Facility are attached as Appendices to this Official Statement. All references herein to the Indenture, the Financing Agreement, the Regulatory

Agreement, the Credit Facility, the Fannie Mae Reimbursement Agreement, the Bank Reimbursement Agreement and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the corporate trust office of the Trustee.

THE ISSUER

The Issuer is a joint powers authority duly organized and existing under the laws of the State of California. The Issuer was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, and the Joint Exercise of Powers Law of the State (constituting Chapter 5, commencing with Section 6500, of Division 7 of Title 1 of the California Government Code), to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of the members of the Issuer with purposes serving the public interest.

NONE OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE ISSUER OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER OR ABAG OR ANY OF THEIR MEMBERS FOR ALL OR ANY PORTION OF THE BOND PAYMENTS. NEITHER THE BONDS NOR THE OBLIGATION OF THE ISSUER TO MAKE THE BOND PAYMENTS CONSTITUTES A DEBT OR LIABILITY OF THE ISSUER OR ABAG OR THE MEMBERS OF THE ISSUER OR ABAG, OR OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION; AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREFOR. NEITHER THE FAITH, REVENUES, CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR OF ANY AGENCY THEREOF AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE A SPECIAL LIMITED OBLIGATION OF THE ISSUER, PAYABLE, AS TO PRINCIPAL AND INTEREST, SOLELY OUT OF THE TRUST ESTATE. THE ISSUER HAS NO TAXING POWER.

THE ISSUER MAKES NO REPRESENTATION THAT INTEREST ON THE BONDS IS EXCLUDED FROM THE GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES OR THAT INTEREST ON THE BONDS IS EXEMPT FROM CALIFORNIA INCOME TAXES.

THE BONDS

General

The Bonds are dated March 18, 2005 and will mature on the maturity date set forth on the cover hereof. Pursuant to the Indenture, interest on the Bonds will be payable to the registered owners thereof, as of the close of business on the Record Date, in accordance with the terms set forth in the Indenture, on each Interest Payment Date. The Bonds will bear interest initially at the Weekly Variable Rate. The

initial rate of interest on the Bonds will be determined in connection with the reoffering of the Bonds on the Closing Date and will be effective through the next Rate Determination Date. The interest rate on the Bonds will be determined separately by Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp., or its successor as remarketing agent (the "Remarketing Agent"). Except during a Daily Variable Rate Period, a Reset Period or a Fixed Rate Period, the Bonds will bear interest at the Weekly Variable Rate from time to time as described below. During the Weekly Variable Rate Period, interest will accrue on the basis of a 365-or 366-day year, as applicable, for the actual number of days elapsed.

During each Daily Variable Rate Period, the Remarketing Agent will determine the Daily Variable Rate not later than 9:00 a.m. Eastern Time on each Rate Determination Date. The Daily Variable Rate will be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds of the applicable Series on the applicable Rate Determination Date at par plus accrued interest on the Bonds for that date. Each Daily Variable Rate so determined will be effective for the day for which such rate was determined. The Daily Variable Rate for any date which is not a Business Day will be the latest Daily Variable Rate determined by the Remarketing Agent.

The Remarketing Agent will provide notice of the Daily Variable Rate determined on each Rate Determination Date before 9:15 a.m. Eastern Time by telephone to any Beneficial Owner upon request and to the Loan Servicer (from and after the Conversion Date) and the Bank (so long as the Letter of Credit is in effect) or any Alternate Credit Provider (at such time as an Alternate Credit Facility is in effect), and the Trustee by fax or electronic transmission. Each Daily Variable Rate so determined by the Remarketing Agent will be conclusive and binding upon the Remarketing Notice Parties and the Registered Owners.

Notwithstanding any other provision of the Indenture, the Bonds will not be converted to a Daily Variable Rate mode as described herein during the period from and including the Conversion Date to the expiration or termination of the Fannie Mae Credit Facility and all references to the Daily Variable Rate mode will no longer be effective at any time when Fannie Mae is the Credit Provider. It is a Condition to Conversion that the Bonds not be in a Daily Variable Rate mode on the Conversion Date.

During the Weekly Variable Rate Period, interest will accrue on the basis of a 365 or 366 day year, as applicable, for the actual number of days elapsed.

During each Weekly Variable Rate Period, the Remarketing Agent will determine the Weekly Variable Rate for each Week not later than 4:00 p.m. Eastern Time on each Rate Determination Date. The Weekly Variable Rate will be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds on the applicable Rate Determination Date at par plus accrued interest on such Bonds for that Week. Each Weekly Variable Rate so determined will be effective for the Week for which such rate was determined. The Remarketing Agent will provide notice of the Weekly Variable Rate before 5:00 p.m. Eastern Time on the Rate Determination Date by telephone to any Beneficial Owner upon request and to the Loan Servicer (from and after the Conversion Date) and the Bank (so long as the Letter of Credit is in effect) or any Alternate Credit Provider (at such time as an Alternate Credit Facility is in effect), and the Trustee, and not later than the next Business Day to the other Remarketing Notice Parties by Electronic Means. Each Weekly Variable Rate so determined by the Remarketing Agent will be conclusive and binding upon the Remarketing Notice Parties and the Registered Owners. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE" attached hereto.

The interest rate on the Bonds may not exceed the Maximum Rate.

Adjustment of the Interest Rate on the Bonds

Adjustment to Weekly Variable Rate From Daily Variable Rate, and to Daily Variable Rate From Weekly Variable Rate. At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted on any Interest Payment Date from the Weekly Variable Rate to the Daily Variable Rate or from the Daily Variable Rate to the Weekly Variable Rate with the prior written consent of the Credit Provider. (Provided the Bonds may not be adjusted to the Daily Variable Rate during the period beginning at the Conversion Date and ending on the expiration or termination of the Fannie Mae Credit Facility.) Each such adjustment is subject to satisfaction of the following conditions precedent:

(i) not less than 45 days before the proposed Adjustment Date, the Borrower delivers (A) written notice to the other Remarketing Notice Parties electing the proposed adjustment and (B) the written preliminary consent of the Credit Provider to such adjustment which consent may be subject to the satisfaction of conditions specified by the Credit Provider, prior to such adjustment;

(ii) not less than 30 days before the proposed Adjustment Date, the Trustee gives written notice to the Bondholders by first class mail, postage prepaid, stating: (A) the proposed Adjustment Date; (B) that from and after the proposed Adjustment Date, if the conditions specified in the Indenture to such adjustment are satisfied, the Bonds will bear interest at the Daily Variable Rate or the Weekly Variable Rate as the case may be (which rate need not be stated); and (C) that all Bonds are subject to mandatory tender and purchase on the proposed Adjustment Date, and that no holder of any Bond will have the right to elect to retain such Bond;

(iii) on or prior to the proposed Adjustment Date, the Borrower delivers (A) to the Trustee and the Loan Servicer (from and after the Conversion Date) written notice from the Credit Provider consenting to the adjustment to the Daily Variable Rate or the Weekly Variable Rate, together with confirmation that the Credit Facility will be sufficient in amount and term to satisfy the requirements of the Indenture and (B) to the other Remarketing Notice Parties, an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Bonds to the Daily Variable Rate or the Weekly Variable Rate is authorized and permitted by the Indenture and the laws of the State, and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds; and

(iv) on or prior to the proposed Adjustment Date, the Remarketing Agent has given notice pursuant to the Indenture to the effect that all Outstanding Bonds have been remarketed for the first Week of the Weekly Variable Rate Period at the applicable Weekly Variable Rate determined pursuant to the Indenture, or for the first Daily Variable Rate Period at the applicable Daily Variable Rate determined pursuant to the Indenture.

Adjustment to Reset Rate. At the option of the Borrower, on or after the Conversion Date or the Transition Date, the interest rate on all Outstanding Bonds may be adjusted on any Interest Payment Date from the Weekly Variable Rate or Daily Variable Rate to a Reset Rate for a Reset Period of 10 years or more selected by the Borrower or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider. Any Reset Period must end immediately the day before an Interest Payment Date. Each such adjustment is subject to the satisfaction of the conditions precedent set forth in the Indenture, including, but not limited to (i) written notice, not less than 45 days before the proposed Reset Date, from the Borrower to the other Remarketing Notice Parties which notice must be accompanied by the written preliminary consent of the Credit Provider and (ii) written notice, not less

than 30 days before the proposed Reset Date, from the Trustee to the Bondholders by first class mail, postage prepaid. The Indenture also requires that on or prior to the proposed Reset Date there be delivered by the Borrower (i) to the Trustee and the Loan Servicer (from and after the Conversion Date), the written consent of the Credit Provider, and (ii) to the other Remarketing Notice Parties, an Opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Bonds to a Reset Rate is authorized and permitted by the Indenture and the laws of the State (including the Act), and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds, and (iii) on or prior to the proposed Reset Date, the Remarketing Agent has given notice pursuant to the Indenture to the effect that all Outstanding Bonds have been remarketed for the Reset Period at the Reset Rate determined pursuant to the Indenture.

At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted from a Reset Rate to the Daily Variable Rate or the Weekly Variable Rate on the date following the last day of a Reset Period. (Provided the Bonds may not be adjusted to the Daily Variable Rate during the period beginning at the Conversion Date and ending on the expiration or termination of the Fannie Mae Credit Facility.) Each such adjustment is subject to satisfaction of conditions precedent as set forth in the Indenture, including, but not limited to (i) written notice, not less than 45 days before the proposed Adjustment Date, from the Borrower to the other Remarketing Notice Parties which notice must designate the Adjustment Date and be accompanied by the written preliminary consent of the Credit Provider and (ii) written notice, not less than 30 days before the proposed Adjustment Date, from the Trustee to the Bondholders as provided in the Indenture. The Indenture also requires that on or prior to the proposed Adjustment Date there be delivered by the Borrower (i) to the Trustee and the Loan Servicer (from and after the Conversion Date), the written consent of the Credit Provider, and (ii) to the other Remarketing Notice Parties, an Opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Bonds to a Reset Rate is authorized and permitted by the Indenture and the laws of the State (including the Act), and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds.

The Bonds are subject to mandatory tender and purchase on each Adjustment Date, as set forth in, and in accordance with, the Indenture. See “THE BONDS – Tender-Mandatory Tender Dates (other than Upon Default); Notice” and “Mandatory Tender Upon Default; Notice” below. The Indenture states that at least 30 days prior to the Adjustment Date, the Trustee will give notice to Bondholders of the proposed Adjustment Date and that all Bonds are thereupon subject to mandatory tender and purchase.

Tender

Optional Tender. Subject to the provisions of the Indenture, during the Weekly Variable Rate Period or Daily Variable Rate Period, the Trustee will purchase any Bond on behalf of and as agent for the Borrower, but solely from the sources provided in the Indenture, on the demand of the Beneficial Owner of such Bond. The purchase price of any Bond tendered for purchase will be equal to 100% of the principal amount of such Bond plus accrued interest, if any, to the date of purchase. The Beneficial Owner may demand purchase of its Bond by delivery of a Bondholder Tender Notice complying with the requirements of this subsection to the Tender Agent at its Designated Office on any Business Day. Any Bondholder Tender Notice received by the Tender Agent after 3:30 p.m. Eastern Time on a Business Day will be treated as received at 9:00 a.m. Eastern Time on the following Business Day. The date of purchase will be the date selected by the Beneficial Owner in the Bondholder Tender Notice; provided, however, that such date is (i) a Business Day which is at least seven days after the date of the delivery of the Bondholder Tender Notice to the Tender Agent with respect to a Bond at a Weekly Variable Rate or (ii) is a Business Day with respect to a Bond at a Daily Variable Rate. During a Daily Variable Rate Period, a Bondholder Tender Notice must be received by the Tender Agent no later than 9:00 a.m. Eastern time if the date of purchase is the day the Bondholder Tender Notice is received.

Irrevocability of Optional Tender. By delivering a Bondholder Tender Notice, subject to provisions related to the Book Entry System, the Beneficial Owner irrevocably agrees to deliver the Tendered Bond (with an appropriate transfer of registration form executed in blank and accompanied by a guaranty of signature satisfactory to the Tender Agent) to the Designated Office of the Tender Agent or any other address designated by the Tender Agent, at or prior to 10:00 a.m. Eastern Time, on the date of purchase specified in the Bondholder Tender Notice. Any election by a Beneficial Owner to tender a Bond or Bonds (or a portion of a Bond or Bonds) for purchase on a Business Day in accordance with the Indenture will also be binding on any transferee of the Beneficial Owner making such election.

Compliance with Optional Tender Requirements. A Bond will be required to be purchased as described above and as provided in the Indenture only if the Bond so delivered to the Tender Agent conforms in all respects to the description of such Bond in the Bondholder Tender Notice. The Tender Agent will determine in its sole discretion whether a Bondholder Tender Notice complies with the requirements of the Indenture and whether Bonds delivered conform in all respects to the description of the Bonds in the Bondholder Tender Notice. Such determination will be binding on the other Remarketing Notice Parties and the Beneficial Owner of the Bonds.

Untendered Bonds (Optional Tender). If after delivery of a Bondholder Tender Notice to the Tender Agent of a Bondholder Tender Notice the holder making such election fails to deliver any of the Bonds described in the Bondholder Tender Notice as required by the Indenture, each untendered Bond or Bonds or portion thereof described in such Bondholder Tender Notice under the Indenture will be deemed to have been tendered to the Tender Agent for purchase, to the extent that there is on deposit in the Bond Purchase Fund on the applicable purchase date an amount sufficient to pay the purchase price of such Untendered Bond, and such untendered Bond from and after such purchase date, will cease to bear interest and no longer be considered to be Outstanding. The Tender Agent will promptly give notice by registered or certified first class mail, postage prepaid, to each Beneficial Owner of any Bond which has been deemed to have been purchased pursuant to the Indenture, stating that interest on such Bond ceased to accrue from and after the date of purchase and that moneys representing the purchase price of such Bond are available against delivery of such Bond at the Designated Office of the Tender Agent. The Issuer will sign and the Tender Agent will authenticate and deliver for redelivery a new Bond or Bonds in replacement of such untendered Bond not so delivered. The replacement of any Bond will not be deemed to create new indebtedness, but such Bond will be deemed to evidence the indebtedness previously evidenced by the untendered Bond.

Mandatory Tender Dates (Other Than Upon Default); Notice. The holders of the Bonds will be required to tender their Bonds to the Tender Agent for purchase on each Mandatory Tender Date by the Trustee acting on behalf of and as agent for the Borrower, but solely from the sources provided in the Indenture, at a purchase price equal to 100% of the principal amount of the Bonds, plus accrued interest, if any, to the applicable Mandatory Tender Date. The Owner of any Bond may not elect to retain its Bonds. Mandatory Tender Dates include each Adjustment Date (even if a proposed change in Mode fails to occur), the first Business Day before a Liquidity Expiration Date, each Substitution Date, each Extension Date (unless an extension of the Letter of Credit or the Alternate Credit Facility then in effect has been received by the Trustee on or before such date) and the fifth Business Day before a Liquidity Expiration Date. The Trustee is to give notice of Mandatory Tender Dates as follows:

(i) Not less than 30 days before any proposed Adjustment Date, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating the information required to be set forth in notices pursuant to the applicable provisions of the Indenture.

(ii) Not less than 10 days before any Substitution Date, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating (A) an Alternate Credit Facility

will be substituted for the Credit Facility then in effect, (B) the Substitution Date, (C) that the Bonds are required to be tendered on the Substitution Date and (D) that Bondholders will not have the right to elect to retain their Bonds.

(iii) Not less than 10 days before any Extension Date, if the Trustee has not received a binding commitment to extend the Letter of Credit or applicable Alternate Credit Facility then in effect, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating (A) the Extension Date and that no commitment to extend the Letter of Credit or Alternate Credit Facility then in effect has been received by the Trustee, (B) that such Bonds are required to be tendered on the Extension Date (unless an extension of the Letter of Credit or Alternate Credit Facility then in effect is received prior to the Extension Date, notice of which will be given promptly to Bondholders), and (C) that the Bondholders will not have the right to elect to retain such Bonds if an extension of the Letter of Credit or Alternate Credit Facility then in effect is not received.

(iv) If the Fannie Mae Credit Facility is in effect, not less than ten days before any Liquidity Expiration Date, if the Trustee has not received a binding commitment from Fannie Mae to extend the Liquidity Expiration Date of the Fannie Mae Credit Facility, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating (i) the Liquidity Expiration Date and that no commitment to extend the Liquidity Expiration Date then in effect has been received by the Trustee, (ii) that such Bonds are required to be tendered on the first Business Day before the Liquidity Expiration Date (unless an extension of the Liquidity Expiration Date is received prior to the first Business Day before the Liquidity Expiration Date), and (iii) that the Bondholders will not have the right to elect to retain such Bonds if an extension of the Fannie Mae Liquidity Expiration Date is not received.

Mandatory Tender Upon Default; Notice. The Bonds are subject to mandatory tender upon receipt by the Trustee of written notice from the Credit Provider stating that an Event of Default under the Indenture, the Financing Agreement or any Credit Facility Document has occurred and directing that the Bonds be subject to mandatory tender. Such mandatory tender will be made on the earliest practicable date, after notice of tender has been given to Bondholders and will be payable solely from the sources provided in the Indenture at a purchase price equal to 100% of the principal amount of the Bonds plus accrued interest to the Mandatory Tender Date. The Owner of any Bond may not elect to retain its Bonds. Immediately upon receipt by the Trustee of such written notice from the Credit Provider, the Trustee will give notice by first class mail, postage prepaid to the Owners of the Bonds stating that (a) such event has occurred, (b) such Bonds are required to be tendered on the Mandatory Tender Date specified in such notice, and (c) the Bondholders thereof will not have the right to elect to retain their Bonds.

Untendered Bonds. Pursuant to the Indenture, any Bond which is not so tendered on a Mandatory Tender Date will be deemed to have been tendered to the Tender Agent as of such Mandatory Tender Date, and, from and after such Mandatory Tender Date, will cease to bear interest and no longer will be considered to be Outstanding. In the event of a failure by owners to deliver Bonds on the Mandatory Tender Date, such owners will not be entitled to any payment (including any interest to accrue from and after the Mandatory Tender Date) other than the purchase price for such untendered Bond, and any such untendered Bond will no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price for such untendered Bond. The Issuer will sign, and the Tender Agent will authenticate and deliver to the Remarketing Agent for redelivery to the purchaser, a new Bond in replacement of the untendered Bond. Pursuant to the Indenture, the replacement of any such untendered Bond will not be deemed to create new indebtedness, but will be deemed to evidence the indebtedness previously evidenced by the untendered Bond.

Payment and Sources of Purchase Price. The Indenture states that payment for Bonds will be made by the Tender Agent at or before 4:00 p.m. Eastern Time, on the Mandatory Tender Date. The Tender Agent will pay the purchase price: (i) for Bonds purchased pursuant to the Indenture in the event of a mandatory tender other than a default, first from remarketing proceeds on deposit in the Bond Purchase Fund, second, from proceeds of a payment under the Credit Facility, and third, from the Borrower; and (ii) for Bonds purchased pursuant to the Indenture in the event of a Mandatory Tender Upon a Default Notice, first from proceeds of a payment under the Credit Facility, and second, from the Borrower. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Credit Facility.”

No Sales After Wrongful Dishonor; No Purchase after Acceleration. The Indenture states that there will be no remarketing of Bonds in connection with any tender of Bonds if the Trustee will have given notice to the Remarketing Agent that a Wrongful Dishonor has occurred and is continuing, and that there will be no purchase of Bonds in connection with any tender of Bonds if the Trustee will have given notice to the Remarketing Agent that there has occurred and is continuing an acceleration of Bonds pursuant to the Indenture.

Book-Entry Only. Notwithstanding the above as provided in the Indenture, during any period that the Bonds are Book Entry Bonds (a) any Bondholder Tender Notice must also (i) provide evidence satisfactory to the Tender Agent that the party delivering the notice is the Beneficial Owner of the Bond(s) or a custodian for the Beneficial Owner referred to in the notice and (ii) if the Beneficial Owner is other than a DTC Participant, identify the DTC Participant through whom the Beneficial Owner will direct transfer; (b) on or before the purchase date, the Beneficial Owner must direct (or if the Beneficial Owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of such Bond(s) on the records of DTC to the account of, or as directed by, the Trustee; (c) Tendered Bond(s) will be purchased without physical delivery as if such Bond(s) had been so delivered, and (d) the purchase price of such Bond(s) will be paid to DTC. See “THE BONDS – Book Entry Only System” herein.

Remarketing Agent

Pursuant to a Remarketing Agreement, dated as of March 1, 2005 (the “Remarketing Agreement”), by and between the Remarketing Agent and the Borrower, the Remarketing Agent is required to determine the interest rates on the Bonds in accordance with the Indenture and is required to use its best efforts to remarket the Bonds in accordance with the Indenture and the Remarketing Agreement.

Redemption Provisions

The Bonds are subject to optional and mandatory redemption at the times and redemption prices set forth in the Indenture. All redemptions in part must be in Authorized Denominations, such that Bonds remaining Outstanding after any such redemption will be in Authorized Denominations.

Optional Redemption. The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower and subject to the approval of the Credit Provider. Pursuant to the Indenture, redemptions will be made on any Interest Payment Date within a Weekly Variable Rate Period or Daily Variable Rate Period and on any Adjustment Date at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the Redemption Date.

Source of Payments for Optional Redemption; Premium from Available Moneys other than the Credit Facility. Pursuant to the Indenture, the principal of and accrued interest on any Bond being optionally redeemed under the Indenture will (i) prior to the Conversion Date and from and after the Transition Date, be paid from a Draw on the Letter of Credit, (ii) from and after the Conversion Date, be

paid from an Advance under the Fannie Mae Credit Facility or (iii) if an Alternate Credit Facility is in effect, be paid from a Draw under the Alternate Credit Facility. The Indenture provides that optional redemption of the Bonds will not be permitted unless, on or before the Redemption Date, the Trustee has on deposit Available Moneys (from a source other than the Credit Facility and from a party other than the Credit Provider) in an amount sufficient to pay the premium, if any, on the Redemption Date. There will be no redemption premium due upon the optional or mandatory redemption of Bonds during the Weekly Variable Rate Period.

Mandatory Redemption. The Bonds are subject to mandatory redemption as provided in the Indenture on the earliest practicable Redemption Date for which timely notice of redemption can be given pursuant to the Indenture following the occurrence of the event requiring such redemption. Pursuant to the Indenture, the principal of and accrued interest on any Bond being redeemed will (i) prior to the Conversion Date and from and after the Transition Date, be paid from a Draw on the Letter of Credit, (ii) from and after the Conversion Date, be paid from an Advance under the Fannie Mae Credit Facility or (iii) if an Alternate Credit Facility is in effect, be paid from a Draw under the Alternate Credit Facility. Bonds will be redeemed at a redemption price equal to 100% of the principal amount of such Bonds plus accrued interest to the Redemption Date. Bonds subject to mandatory redemption in part will be redeemed in Authorized Denominations. If the Trustee receives an amount for the mandatory redemption of Bonds which is not equal to a whole integral multiple of the Authorized Denomination, the Trustee will redeem Bonds in an amount equal to the next lowest whole integral multiple of the Authorized Denomination to the amount received by the Trustee and hold any excess amount in the Redemption Account.

(a) *Casualty or Condemnation.* Pursuant to the Indenture, Bonds will be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of or any award as part of a settlement in lieu of condemnation of, the Project are applied in accordance with the Security Instrument to the prepayment of the Loan.

(b) *After an Event of Default Under the Reimbursement Agreement.* The Bonds will be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to the provisions of the Indenture described in this paragraph following any Event of Default under the Reimbursement Agreement. The Redemption Date will be the earliest practicable date, but in no event will such redemption occur later than two Business Days prior to the date, if any, that the Credit Facility terminates on account of the Credit Provider's giving of direction to the Trustee pursuant to the provisions of the Indenture described in this paragraph to redeem all of the Bonds. Additionally, prior to the Conversion Date and after the Transition Date, the Bonds are subject to mandatory redemption if the Trustee receives notice of non-reinstatement of the interest component of the Letter of Credit following a drawing on the Bonds. The Redemption Date will be no later than the first calendar day (or if such first (1st) calendar day is not a Business Day, the next succeeding Business Day) after the Trustee receives notice of non-reinstatement from the Bank.

(c) *Principal Reserve Fund.* Pursuant to the Indenture, the Bonds will be redeemed in whole or in part as follows:

(i) on each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account of the Revenue Fund in accordance with the Indenture; and

(ii) on any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account as provided in the Indenture.

(d) *Pre-Conversion Loan Equalization.* Pursuant to the Indenture, the Bonds will be redeemed in part in the event the Borrower makes a Pre-Conversion Loan Equalization Payment; in such case the principal amount of Bonds to be redeemed will be the amount prepaid by the Borrower or, if such amount is not an integral multiple of an Authorized Denomination, the next lowest integral multiple of an Authorized Denomination to the amount prepaid.

(e) *Excess Loan Funds.* The Bonds will be redeemed in whole or in part in the event and to the extent that Net Bond Proceeds on deposit in the Loan Fund are transferred to the Redemption Account pursuant to the Indenture.

(f) *Achievement Agreement.* The Bonds will be redeemed in part in an amount specified in written instructions of the Loan Servicer upon a mandatory prepayment of the Loan pursuant to the provisions of the Achievement Agreement on the first Interest Payment Date for which notice of redemption can timely be given.

Purchase of Bonds in Whole or in Part in Lieu of Redemption

If the Bonds are called for redemption in whole, the Bonds called for redemption may be purchased in lieu of redemption in accordance with the Indenture. Purchase in lieu of redemption will be available for all of the Bonds called for redemption or for such lesser portion of such Bonds as constitute Authorized Denominations. The Credit Provider, or the Borrower with the written consent of the Credit Provider, may direct the Trustee to purchase all or such lesser portion of the Bonds so called for redemption of the Bonds. In no event will Fannie Mae in its capacity as Credit Provider purchase Bonds for its own account in lieu of redemption without the prior written consent of the General Counsel to Fannie Mae.

Selection of Bonds to be Redeemed Upon Partial Redemption

If less than all the Outstanding Bonds are called for redemption, the Trustee will select by lot, in such manner as it determines in its discretion, the Bonds, or portions of the Bonds in Authorized Denominations, to be redeemed. In the selection process (i) any Pledged Bonds Outstanding will be called for redemption before any other Bonds are selected for redemption and (ii) if applicable, the Bonds with the highest interest rate will be called for redemption before any other Bonds are selected for redemption. As provided in the Indenture, Bonds which have previously been selected for redemption will not be deemed Outstanding. Notwithstanding the foregoing, the Securities Depository for Book-Entry Bonds will select the Bonds for redemption within particular maturities according to its stated procedures.

Notice of Redemption

The Trustee will give notice of redemption by first class mail, postage prepaid, not less than 10 days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. With respect to Book Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee will not be required to give the notice set forth in the immediately preceding sentence. In the case of an optional redemption under the Indenture, the notice of redemption will state that it is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds including Available Moneys to pay any redemption premium in full ("Conditional Redemption"), and such notice and optional redemption will be of no effect if either (A) by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds and sufficient Available Moneys to pay any redemption premium have not been deposited with the Trustee, or if such moneys are deposited, are not available on the

redemption date or (B) the Trustee at the direction of the Credit Provider instructs the Trustee to rescind such notice on or prior to the scheduled redemption date. The Trustee will cause a second notice of redemption to be sent by first class mail, postage prepaid, on or within 10 days after the thirtieth day after the Redemption Date to any Bondholder who has not submitted its Bond to the Trustee for payment.

At the same time notice of redemption is sent to the Registered Owners, the Trustee will send notice of redemption by first class mail, overnight delivery service or such other means as is acceptable to the recipient, postage or service prepaid (or as specified in the Indenture) (i) to the Rating Agency, (ii) if the Bonds are not subject to the Book-Entry System, to certain municipal registered Securities Depositories (as described in the Indenture) which are known to the Trustee, on the second Business Day prior to the date the notice of redemption is mailed to the Bondholders, to be holding Bonds, and (iii) at least two (2) of the national Information Services (as described in the Indenture) that disseminate securities redemption notices.

If notice of redemption is given as provided in the Indenture, failure of any Bondholder to receive such notice, or any defect in the notice, will not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

Rescission of Conditional Redemption; Cancellation of Conditional Redemption

The Trustee will rescind any Conditional Redemption if the requirements of the Indenture have not been met on or before the Redemption Date or the Trustee has received a direction to cancel the Conditional Redemption from the Credit Provider. The Trustee will give notice of rescission by the same means as is provided in this section for the giving of notice of redemption or by Electronic Means confirmed in writing. The optional redemption will be canceled once the Trustee has given notice of rescission. Any Bonds subject to Conditional Redemption where redemption has been rescinded will remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the Redemption Date will constitute an Event of Default. Notwithstanding notice having been given in the manner provided above, any optional redemption of Bonds will be canceled with the consent of or at the direction of the Credit Provider if the Credit Provider has notified the Trustee in writing that an Event of Default under any Credit Facility Document has occurred.

Redemption Payments

If notice of redemption has been given and the conditions for such redemption, if applicable, have been met, the Indenture states that the Bonds called for redemption will become due and payable on the Redemption Date, interest on those Bonds will cease to accrue from and after the Redemption Date and the called Bonds will no longer be Outstanding. The holders of the Bonds so called for redemption will thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed. If less than the entire principal amount of a Bond is called for redemption, the Issuer will execute, and the Trustee will authenticate and deliver, upon the surrender of such Bond to the Trustee, without charge by the Issuer or the Trustee to the Bondholder, in exchange for the unredeemed principal amount of such Bond, a new Bond or Bonds of the same interest rate, maturity and term, in any Authorized Denomination, in aggregate principal amount equal to the unredeemed balance of the principal amount of the Bond so surrendered.

Book Entry Only System

Portions of the information relating to the Book Entry System under this heading have been furnished by DTC, but have not been independently verified by the Underwriter, the Issuer, the Bank or Fannie Mae. Neither the Underwriter, the Issuer, the Bank nor Fannie Mae makes any representation whatsoever as to the accuracy, adequacy or completeness of such information.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be

requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices, if any, will be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Direct Participants as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner will give notice to elect to have its Securities purchased or tendered, through its Participant, to the tender agent or the remarketing agent, as applicable, and will effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the tender agent or the remarketing agent, as applicable. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the DTC account of the tender agent or the remarketing agent, as applicable.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

For the purposes of this section, as provided in the Indenture, the term "Credit Provider" means, so long as (i) the Letter of Credit is in effect, the Bank, (ii) at such time and so long as the Fannie Mae Credit Facility is in effect, Fannie Mae or (iii) at any such time any Alternate Credit Facility is in effect, the Alternate Credit Provider then obligated under the Alternate Credit Facility.

Under the terms of the Indenture, the Bonds are secured by the Credit Facility (described under the caption "Credit Facility" herein) and by a pledge of the Trust Estate comprised of the following:

- (1) All right, title and interest of the Issuer in and to the Loan, including the Note, the Security Instrument and the other Loan Documents, and in and to the Financing Agreement, reserving, however, the Reserved Rights;
- (2) All rights to receive payments on the Note and under the other Loan Documents, including all proceeds of insurance or condemnation awards;
- (3) All right, title and interest of the Issuer in and to the Revenues, the Net Bond Proceeds and the accrued interest, if any, derived from the remarketing of the Bonds, and all Funds and Accounts under the Indenture (including, but not limited to, moneys, documents, securities, Investments, Investment Income, instruments and general intangibles on deposit or otherwise held by the Trustee), but excluding moneys in the Fees Account, the Rebate Fund, and the Costs of Issuance Fund (including within such exclusion Investment Income retained in the Costs of Issuance Fund, and the Rebate Fund);
- (4) All funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred by delivery or by writing of any kind, to the Trustee as additional security under the Indenture for the benefit of the Bondholders and the Credit Provider; and
- (5) All of the proceeds of the foregoing, including, without limitation, Investments and Investment Income (except as excluded above).

The foregoing (collectively the "Trust Estate") are pledged for the equal and proportionate benefit, security and protection of (i) all Registered Owners of the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds and (ii) the Credit Provider to secure the payment of all amounts owed to the Credit Provider under the Credit Facility

Documents and the Loan Documents. The Trust Estate, together with the Credit Facility, comprise the Security for the Bonds. From and after the earlier of the Conversion Date or the Transition Date, upon any default by the Borrower under any Bond Document, any Loan Document or any Credit Facility Document, all or a portion of the funds on deposit in the Funds and Accounts (other than in the Rebate Fund, the Costs of Issuance Fund and the Fees Account) will be paid or applied in any manner directed by the Credit Provider.

Credit Facility

In addition to the other security provided under the Indenture, the Bonds will be secured by the Letter of Credit. If Conversion occurs, the Indenture provides that the Bonds will be secured from and after the Conversion Date by the Fannie Mae Credit Facility.

Letter of Credit

As described above, in connection with the reoffering of the Bonds, the Bank will issue a letter of credit (defined as the "Letter of Credit") in the face amount of \$50,154,433.00 of which (i) \$49,600,000.00 will be available to the Trustee to pay the principal of the Bonds at maturity or upon redemption or acceleration or to pay the portion of the purchase price of Tendered Bonds representing the principal amount of the Tendered Bonds, and (ii) \$554,433.00 (representing thirty-four (34) days of interest on the maximum aggregate principal amount of Outstanding Bonds that may be issued under the Indenture calculated at the rate of twelve percent (12%) per annum and computed on the basis of a 365 or 366 day year, as applicable) will be available to pay interest on the Bonds or to pay the portion of the purchase price of Tendered Bonds representing accrued interest on the Tendered Bonds. Drawings by the Trustee under the Letter of Credit will reduce the amounts available for subsequent drawings, subject to reinstatement as provided in the Letter of Credit. All or a portion of the amount available to be drawn under the Letter of Credit will be reinstated, following the payment by the Bank of any amount drawn by presentation of a "Tender Drawing", upon reimbursement of the Bank of the amount to be reinstated and delivery by the Trustee to the Bank of a certificate in the form attached to the Letter of Credit to the effect that funds for such reimbursement of the Bank have been received. In addition, the amount available to be drawn under the Letter of Credit will be reinstated automatically by the amount of each Interest Drawing. The Letter of Credit expires on March 30, 2008, the Letter of Credit Expiration Date, but is subject to earlier termination in certain events, including termination on the Conversion Date. The Letter of Credit is subject to extension beyond the Letter of Credit Expiration Date as provided in the Reimbursement Agreement.

For information regarding the Bank, see "THE BANK" herein. The form of the Letter of Credit is attached hereto as "APPENDIX H - FORM OF THE LETTER OF CREDIT".

Fannie Mae Credit Facility

If Conversion occurs, Fannie Mae will deliver the Fannie Mae Credit Facility to the Trustee on, and to be effective as of, the Conversion Date. The Fannie Mae Credit Facility is expected to be a direct pay credit enhancement instrument. See "APPENDIX I – PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY" attached hereto. For information regarding Fannie Mae, see "FANNIE MAE" herein.

Alternate Credit Facility

Upon substitution of any Alternate Credit Facility or termination of the Credit Facility, the Bonds will be subject to mandatory tender for purchase as described below under the caption "THE BONDS

Tender” herein. The Fannie Mae Credit Facility is not an Alternate Credit Facility and the delivery thereof will not result in a mandatory tender for purchase.

Principal Reserve Fund

The Principal Reserve Fund is established pursuant to the Indenture and is to be held by the Trustee.

Pursuant to the Indenture, if Conversion occurs there is to be deposited into the Principal Reserve Fund (i) all of the monthly payments made by the Borrower in accordance with the Principal Reserve Schedule, as such schedule may be amended in writing pursuant to the Fannie Mae Reimbursement Agreement, and (ii) Investment Income earned on amounts on deposit in the Principal Reserve Fund. In addition to transfers to effect a redemption of Bonds as described above, the Trustee will pay or transfer amounts on deposit in the Principal Reserve Fund as follows:

(1) at the written direction of the Credit Provider, to the Credit Provider to reimburse the Credit Provider for any unreimbursed Draw or Advance, as applicable, under the Credit Facility and to pay any other amounts required to be paid by the Borrower under the Loan Documents, the Bond Documents or the Credit Facility Documents (as such terms are defined in the Indenture);

(2) at the written direction of the Credit Provider, with the written consent of the Borrower (so long as an Event of Default has not occurred and is not continuing under any of the Credit Facility Documents), to the Credit Provider or the Borrower, as the Credit Provider elects, to make improvements or repairs to the Project;

(3) at the written direction of the Credit Provider, if a default has occurred under any Credit Facility Document, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the Credit Provider (if Fannie Mae is the Credit Provider such use must be approved by the General Counsel of the Credit Provider);

(4) at the written direction of the Credit Provider, if a new mortgage and mortgage note have been substituted for the Security Instrument and the Note, or if the Borrower otherwise consents, to any purpose approved in writing by the Credit Provider (if Fannie Mae is the Credit Provider such use must be approved by the General Counsel of the Credit Provider);

(5) on each Adjustment Date, to the Redemption Account;

(6) during a Weekly Variable Rate Period or Daily Variable Rate Period, on the tenth Business Day prior to each Interest Payment Date, all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of \$100,000) in excess of the Principal Reserve Amount, to the Redemption Account; and

(7) to the Borrower, Investment Income on moneys in the Principal Reserve Fund on the Interest Payment Date following receipt by the Trustee of such Investment Income, provided (i) there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and (ii) no default exists under any Credit Facility Document, any Loan Document or any Bond Document. If a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee will transfer such Investment Income to the Interest Account, the Redemption

Account, the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE – Principal Reserve Fund” attached hereto.

Limited Liability

The Bonds authorized by the Indenture and all payments to be made thereon and to the various funds and accounts established under the Indenture are not general or special obligations of the Issuer but are limited obligations payable solely from payments derived from the Trust Estate.

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE, WHICH IS SPECIFICALLY ASSIGNED AND PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE. NONE OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE ISSUER OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER OR ABAG OR ANY OF THEIR MEMBERS FOR ALL OR ANY PORTION OF THE BOND PAYMENTS. NEITHER THE BONDS NOR THE OBLIGATION OF THE ISSUER TO MAKE THE BOND PAYMENTS CONSTITUTES A DEBT OR LIABILITY OF THE ISSUER OR ABAG OR THE MEMBERS OF THE ISSUER OR ABAG, OR OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION; AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREFOR. NEITHER THE FAITH, REVENUES, CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR OF ANY AGENCY THEREOF AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE A SPECIAL LIMITED OBLIGATION OF THE ISSUER, PAYABLE, AS TO PRINCIPAL AND INTEREST, SOLELY OUT OF THE TRUST ESTATE. THE ISSUER HAS NO TAXING POWER.

THE ISSUER MAKES NO REPRESENTATION THAT INTEREST ON THE BONDS IS EXCLUDED FROM THE GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES OR THAT INTEREST ON THE BONDS IS EXEMPT FROM CALIFORNIA INCOME TAXES.

Enforceability of Remedies

The remedies available to the Trustee and the owners of the Bonds upon an Event of Default under the Credit Facility, the Indenture, the Regulatory Agreement or the Financing Agreement are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions that were delivered concurrently with the delivery of the Bonds and such documents were qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

THE BANK

The information in this section has been provided solely by the Bank and its believed to be reliable, but has not been verified independently by the Borrower or the Underwriter. The Bank did not participate in the preparation of, or in any way verify the information contained in any other part of this Official Statement. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of this Official Statement.

General

The principal offices of Comerica Bank (the “Bank”) are located at Comerica Tower at Detroit Center, 500 Woodward Avenue, Detroit, Michigan 48226. Its telephone number is (313) 222-4000.

At September 30, 2004, the Bank had approximately 359 branch offices within the States of Michigan, California, Texas and Florida, total assets of approximately \$53.0 billion, total deposits of approximately \$42.7 billion, total loans (net of unearned portion) of approximately \$39.9 billion, and total equity capital of approximately \$5.6 billion, and for the nine months ended September 30, 2004, net income of \$591.9 million. At September 30, 2004, the Bank was the largest commercial bank headquartered in Michigan. THE LETTER OF CREDIT IS AN OBLIGATION OF THE BANK AND WILL NOT BE AN OBLIGATION OF COMERICA INCORPORATED, (the “Corporation”).

Comerica Bank

The Bank was incorporated on July 21, 1871 and is a wholly-owned subsidiary of the Corporation, which is a bank holding company incorporated under the laws of the State of Delaware, headquartered in Detroit, Michigan, and registered under the Bank Holding Company Act of 1956, as amended. As of September 30, 2004, the Corporation owned directly or indirectly all the outstanding stock of three banking and 50 non-banking subsidiaries. At September 30, 2004, the Corporation had total assets of approximately \$53.3 billion, total deposits of approximately \$42.4 billion, total loans (net of unearned portion) of approximately \$39.9 billion and common shareholders' equity of approximately \$5.0 billion. At September 30, 2004, the Corporation was the largest bank holding corporation headquartered in Michigan in terms of both total assets and total deposits.

The Corporation has strategically aligned its operations into three major lines of business: the Business Bank, Small Business and Personal Financial Services, and Wealth and Institutional Management. In addition to the three major lines of business, the Finance Division is also reported as a segment. The Business Bank is comprised of middle market, commercial real estate, national dealer services, global finance, large corporate, leasing, financial services group and technology and life sciences lending. This line of business meets the needs of medium-size businesses, multinational corporations and governmental entities by offering various products and services, including commercial loans and lines of credit, deposits, cash management, capital market products, international trade finance, letters of credit, foreign exchange management services and loan syndication services. Small Business and Personal Financial Services includes small business banking (annual sales under \$10 million) and personal financial services, consisting of consumer lending, consumer deposit gathering and mortgage loan origination. This line of business offers a variety of consumer products, including deposit accounts, installment loans, credit cards, student loans, home equity lines of credit and residential mortgage loans. In addition, a full range of financial services is provided to small businesses and municipalities. Wealth and Institutional Management is responsible for private banking, personal and institutional trust, retirement plans, and asset management (including Munder Capital Management, investment adviser to the Munder funds, and Wilson Kemp & Associates). This division also includes Comerica Securities,

which offers institutional, retail and discount brokerage, and investment banking services, as well as Comerica Insurance, which is a full line insurance agency. The Finance segment includes the Corporation's securities portfolio and asset and liability management activities. This segment is responsible for managing the Corporation's funding, liquidity and capital needs, performing interest sensitivity gap and earnings simulation analysis and executing various strategies to manage the Corporation's exposure to liquidity, interest rate risk and foreign exchange risk.

COMERICA BANK
AS A PERCENTAGE OF
COMERICA INCORPORATED

	September 30, <u>2004</u>	December 31 <u>2003</u>	<u>2002</u>
Assets	99.4 %	99.5 %	100.5 %
Deposits	100.6	98.5	100.7
Total loans	100.0	100.0	100.0
Net income	107.7	105.1	85.7

COMERICA BANK AND SUBSIDIARIES
CONSOLIDATED SUMMARY BALANCE SHEET INFORMATION
In thousands of dollars
(Unaudited)

ASSETS	September 30, 2004	2003	December 31, 2003	2002
Cash and due from depository institutions	\$1,650,680	\$2,137,408	\$1,658,089	\$2,007,471
Investment securities	4,155,834	5,049,216	4,457,270	3,036,649
Federal funds sold and securities purchased under agreements to resell	4,809,582	4,522,090	3,738,450	2,116,400
Net loans	39,169,508	40,066,662	39,719,190	41,775,657
Other assets	<u>3,190,737</u>	<u>3,173,683</u>	<u>3,111,355</u>	<u>4,764,146</u>
TOTAL ASSETS	<u>\$52,976,341</u>	<u>\$54,949,059</u>	<u>\$52,684,354</u>	<u>\$53,700,323</u>
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits				
Domestic	\$41,485,293	\$43,017,647	\$40,481,520	\$41,031,419
Foreign office	<u>1,200,254</u>	<u>1,217,589</u>	<u>1,578,347</u>	<u>1,056,341</u>
Total deposits	42,685,547	44,235,236	42,059,867	42,087,760
Federal funds purchased and securities sold Under agreements to repurchase	214,480	288,601	177,095	345,655
Other borrowed money	1,732,652	2,344,710	2,446,534	3,206,431
Subordinated notes	1,801,348	1,594,558	1,562,627	1,614,084
Other liabilities	<u>964,622</u>	<u>851,626</u>	<u>861,479</u>	<u>1,045,376</u>
Total liabilities	47,398,649	49,314,731	47,107,602	48,299,306
Perpetual preferred stock & related surplus	320,000	320,000	320,000	320,000
Common stock	58,527	58,527	58,527	58,527
Capital surplus	1,567,695	1,566,897	1,567,162	1,566,788
Retained earnings	3,643,885	3,563,677	3,545,190	3,205,006
Accumulated other comprehensive income (loss)	<u>(12,415)</u>	<u>125,227</u>	<u>85,873</u>	<u>250,696</u>
Total shareholder's equity	<u>5,577,692</u>	<u>5,634,328</u>	<u>5,576,752</u>	<u>5,401,017</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$52,976,341</u>	<u>\$54,949,059</u>	<u>\$52,684,354</u>	<u>\$53,700,323</u>

COMERICA BANK AND SUBSIDIARIES
CONSOLIDATED SUMMARY OF EARNINGS
In thousands of dollars
(Unaudited)

	Nine Months Ended September 30, <u>2004</u>	2003	Years Ended December 31, <u>2003</u>	<u>2002</u>
Interest income	\$1,631,920	\$1,842,148	\$2,397,749	\$2,797,176
Interest expense	<u>273,088</u>	<u>351,357</u>	<u>444,380</u>	<u>624,751</u>
Net interest income	1,358,832	1,490,791	1,953,369	2,172,425
Provision for loan losses	<u>85,111</u>	<u>300,450</u>	<u>377,613</u>	<u>589,787</u>
Net interest income after provision for loan losses	1,273,721	1,190,341	1,575,756	1,582,638
Other operating income	698,594	725,696	960,489	946,414
Other operating expenses	<u>1,104,204</u>	<u>1,144,942</u>	<u>1,527,471</u>	<u>1,726,599</u>
Income before income taxes	868,111	771,095	1,008,774	802,453
Provision for income taxes	<u>276,176</u>	<u>244,184</u>	<u>314,270</u>	<u>287,285</u>
NET INCOME	<u>\$ 591,935</u>	<u>\$ 526,911</u>	<u>\$ 694,504</u>	<u>\$ 515,168</u>

Additional Information

The Bank submits quarterly to the Federal Deposit Insurance Corporation (the “FDIC”) on behalf of the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) certain reports regarding its financial condition and results of operations (each, a “Call Report” and collectively, the “Call Reports”) entitled “Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices.” Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules as of the end of the period to which such Call Report relates. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. Because of the special supervisory, regulatory and economic policy needs served by the Call Reports, such regulatory instructions do not in all cases follow generally accepted accounting principles or the opinions and statements of the Accounting Principles Board of the American Institute of Certified Public Accountants or the Financial Accounting Standards Board. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about the Bank, the Call Reports nevertheless provide important information concerning the financial condition of the Bank. The publicly available portions of the Call Reports with respect to the Bank are on file with, and publicly available at, the FDIC, 250 E. Street, S.W., Washington, D.C. 20219. All such Call Reports may be obtained by calling the FDIC at (800) 945-2186. The FDIC also maintains a website (<http://www.fdic.gov>) that contains reports and certain other information regarding depository institutions, such as the Bank, which file reports with the FDIC.

The selected financial information of the Bank, set forth above should be read in connection with, and is qualified in its entirety by, the Call Reports.

The Corporation is subject to informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (the “SEC”). All such reports and other information may be inspected and copied at the Public Reference Room of the SEC, 450 Fifth Street,

N.W., Washington, D.C. 20549. Copies of such reports may be obtained from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates, and electronically from the website maintained by the SEC located at <http://www.sec.gov>. In addition, such material can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which exchange securities of the Corporation are listed. Such information may also be obtained from the Corporation's website located at <http://www.comerica.com>.

FANNIE MAE

The following information has been provided by Fannie Mae for use herein. While the information is believed to be reliable, none of the Issuer, the Trustee, the Underwriter, the Borrower, the Bank, the Loan Servicer nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.

Fannie Mae is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. It is the largest investor in home mortgage loans in the United States. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage backed securities ("MBS"), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD ("OFHEO"). Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS. The President of the United States may appoint five members of Fannie Mae's Board of Directors, and the other thirteen are elected by the holders of Fannie Mae's common stock. Since May 25, 2004, the date of Fannie Mae's most recent annual shareholder's meeting, the President has declined to exercise his authority to appoint directors, and those five Board positions will remain open unless and until the President names new appointees.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the SEC. The SEC filings are available at the SEC's website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at <http://www.fanniemae.com/ir/sec> or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

On December 21, 2004, Fannie Mae's Board of Directors ("Board") announced the retirement of Chairman and Chief Executive Officer Franklin D. Raines and the resignation of Vice Chairman and Chief Financial Officer J. Timothy Howard. A member of Fannie Mae's Board, Stephen B. Ashley, currently is serving as the non-executive chairman of Fannie Mae's Board, Vice Chairman and Chief Operating Officer Daniel H. Mudd currently is serving as interim chief executive officer, and Executive Vice President Robert

Levin currently is serving as interim chief financial officer. The Board further announced that the Audit Committee of the Board dismissed KPMG LLP as the company's independent auditor. On January 4, 2005, the Audit Committee of the Board approved the engagement of Deloitte & Touche LLP ("Deloitte") as Fannie Mae's independent auditor. Deloitte will serve as the company's auditors for each of the fiscal years 2001, 2002, 2003 and 2004.

On December 21, 2004, OFHEO issued a letter (the "Letter") to the Board stating that Fannie Mae was significantly undercapitalized at September 30, 2004. In accordance with the provisions of the Federal Housing Enterprise Financial Safety and Soundness Act of 1992, Fannie Mae submitted a capital restoration plan proposal to OFHEO for review and approval, and Fannie Mae is prohibited from making any capital distribution that would result in Fannie Mae being reclassified as critically undercapitalized. In addition, even if a capital distribution would not cause the company to become critically undercapitalized, Fannie Mae is prohibited from making the capital distribution unless OFHEO provides prior approval of the distribution after it finds that the distribution (i) will enhance the ability of the company to meet its capital requirements promptly; (ii) will contribute to long term safety and soundness; or (iii) is otherwise in the public interest. The Letter further states that the reclassification to significantly undercapitalized may lead to structural changes, restrictions on growth as well as OFHEO directives to terminate or modify any business activities that pose excessive risk. On January 18, 2005, the Board decided to reduce the first quarter 2005 dividend on Fannie Mae's common stock by 50 percent in order to accelerate an increase in Fannie Mae's capital. On February 23, 2005, Fannie Mae announced that OFHEO approved Fannie Mae's proposed capital restoration plan. Under the plan, Fannie Mae details how it expects to meet its minimum capital requirement on an ongoing basis, as well as achieve OFHEO's 30 percent surplus capital requirement by September 30, 2005. A summary of the capital restoration plan was filed as an exhibit to a Form 8-K that Fannie Mae filed with the Securities and Exchange Commission (the "SEC") on February 23, 2005.

On December 15, 2004, the Office of the Chief Accountant of the SEC issued a statement (the "Statement") regarding a review of certain accounting issues relating to Fannie Mae, including determinations by the SEC that Fannie Mae should (i) restate its financial statements to eliminate the use of hedge accounting under Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"), (ii) evaluate the accounting under Financial Accounting Standard No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases ("FAS 91") and restate its financial statements filed with the SEC if the amounts required for correction are material, and (iii) re-evaluate the information prepared under generally accepted accounting principles ("GAAP") and non-GAAP information that Fannie Mae previously provided to investors. On December 16, 2004, Fannie Mae filed a Current Report on Form 8-K with the SEC that includes a copy of the Statement.

As a result of the SEC's findings, Fannie Mae will restate its financial results from 2001 through June 30, 2004 to comply fully with the SEC's determination. In a Form 12b-25 filed with the SEC on November 15, 2004, Fannie Mae estimated that a loss of hedge accounting under FAS 133 for all derivatives could result in its recording into earnings a net cumulative loss on derivative transactions of approximately \$9.0 billion as of September 30, 2004. Fannie Mae also stated that there would be a corresponding decrease to retained earnings and, accordingly, regulatory capital. Fannie Mae is working to determine the effect of the restatement, including the effect on each prior reporting period. Fannie Mae expects that the impact will be material to its reported GAAP and core business results for many, if not all, periods and will vary substantially from period to period based on the amount and types of derivatives held and fluctuations in interest rates and volatility. Fannie Mae's restated financial statements also will reflect corrections as a result of Fannie Mae's misapplication of FAS 91 for each prior reporting period described above. Fannie Mae also will consider the impact, if any, of the SEC's decision on FAS 91 for periods prior to those described above.

Accordingly, on December 17, 2004, the Audit Committee of the Board concluded that its previously filed interim and audited financial statements and the independent auditors' reports thereon for the periods from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared applying accounting practices that did not comply with GAAP. Fannie Mae has not yet filed its quarterly report on Form 10-Q for the quarter ended September 30, 2004. The financial information regarding Fannie Mae's anticipated results of operations for the quarter ended September 30, 2004 that was contained in its Form 12b-25 filed on November 15, 2004 and in a Form 8-K filed on November 16, 2004 was prepared applying the same policies and practices, and should also not be relied upon. The Audit Committee has discussed the matters described above and in a Form 8-K filed with the SEC on December 22, 2004 with KPMG LLP, Fannie Mae's independent auditor through December 21, 2004.

On September 20, 2004, OFHEO delivered its report to the Board of its findings to date of the agency's special examination. Among other matters, the OFHEO report raises a number of questions and concerns about Fannie Mae's accounting policies and practices with respect to FAS 91 and FAS 133. On February 23, 2005, Fannie Mae announced that OFHEO notified the Board and management of several additional accounting and internal control issues and questions that OFHEO identified in its ongoing special examination, and directed that these matters be included in the internal reviews by the Board and management and reviewed by Deloitte. OFHEO indicated that it has not completed its review of all aspects of these issues, but has identified policies that it believes appear to be inconsistent with generally accepted accounting principles as well as internal control deficiencies that raise safety and soundness concerns. The issues and questions include the following areas: securities accounting, loan accounting, consolidations, accounting for commitments, and practices to smooth certain income and expense amounts. OFHEO also raised concerns regarding journal entry controls, systems limitations, and database modifications, as well as new developments relating to FAS 91. A summary of the additional questions raised in OFHEO's special examination of Fannie Mae has been filed as an exhibit to a Form 8-K that Fannie Mae filed with the SEC on February 23, 2005.

Form 8-K's that Fannie Mae files with the SEC on or prior to the date of this Official Statement are incorporated herein by reference.

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role with respect to the Bonds is limited to issuing and discharging its obligations under the Credit Facility and exercising the rights reserved to it in the Indenture and the Reimbursement Agreement.

PLAN OF FINANCING

The total permanent project costs of the Project are estimated by the Borrower to be \$49,600,000 not including interim sources and uses of funds. The sources and uses of permanent funds for the Project are projected to be approximately as follows:

Sources of Funds

Bond Proceeds	<u>\$49,600,000</u>
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Total	<u>\$49,600,000</u>
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Uses of Funds

Total Land Purchase	\$4,695,000
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Indirect Costs	1,582,200
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Hard Construction Costs	35,150,110
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Finance Costs	2,494,620
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Soft Costs	4,705,520
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Contingency	<u>972,550</u>
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Total	<u>\$49,600,000</u>
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THE PROJECT AND THE PRIVATE PARTICIPANTS

The information under this heading has been provided solely by the Borrower and has not been independently verified by the Issuer, the Underwriter, the Remarketing Agent, the Bank, Fannie Mae, the Loan Servicer or any of their respective counsel, members, officers or employees. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Issuer, the Underwriter, the Remarketing Agent, the Bank, Fannie Mae, the Loan Servicer or any of their respective counsel, members, officers or employees.

The Borrower

The Borrower is The Crossing Apartment Associates II LLC, a Delaware Limited Liability Company (the “Borrower”). The co-managing member of the Borrower, with a 43.75% ownership interest, is TMG-Regis Apartment Associates II LLC, a California limited liability company (the “TRAA”). The other co-managing members of the Borrower are Martin/Regis San Bruno Associates, L.P., a Delaware limited partnership, with a 5.00% ownership interest, and California Urban Investment Partners, LLC, a Delaware limited liability company (“CUIP”), with a 51.25% ownership interest. The managing member of CUIP is MacFarlane Urban Realty Company, LLC.

The managing member of TRAA is RHNC SB Apartment Team II LLC, a California limited liability company. TMG SB Apartment Team II LLC, a California limited liability company is also a member of TRAA. The managing member of TMG SB Apartment Team II LLC is TMG Partners, a California corporation (“TMG Partners”). The managing member of RHNC SB Apartment Team II LLC is Regis Homes of Northern California, Inc., a California corporation (“RHNC”).

TMG Partners was founded in 1984. It is involved in the acquisition, development, and management of office, commercial and residential real estate. TMG Partners’ principals have expertise in real estate financing, leasing, governmental approvals and construction and are responsible for the day-to-

day management of the company's activities. To date, TMG Partners owns, has co-developed or is now developing apartment projects comprising over 2,000 units located in the San Francisco Bay Area.

RHNC, formed by Rob Wagner and Mark Kroll in 1991, is an affiliate of Irvine-based SARES•REGIS Group. Prior, both Mr. Wagner and Mr. Kroll spent more than 12 years at Prometheus Development Co., Inc. as President and Executive Vice President, respectively. The SARES•REGIS Group is a regional real estate firm providing comprehensive real estate services through its Commercial, Multifamily, and Homebuilding Divisions. Formed through the 1993 merger of Sares Company and The Regis Group, the privately held company manages approximately \$2.1 billion in assets on behalf of its institutional partners and clients. The companies together have purchased and/or developed approximately 34 million square feet of commercial property and more than 18,000 residential homes and apartments since their inception in 1975.

The Borrower was recently formed and has no operating history.

The Property Manager

The Project will be managed by SARES•REGIS Group (the "Property Manager"). The Property Manager was founded in 1975 and has been involved in the management of multifamily residential rental projects since its inception. The Property Manager is an affiliate of the TRAA Co-Manager. The Property Manager currently manages numerous apartment projects comprising a total of over 12,000 units located in California, Colorado and Arizona.

The Project

The Project will be a residential rental project comprised of one 6-story structure containing a total of 185* apartment units. The Project will be located on approximately 3.21 gross acres (1.6 acres net of easements and roads) at the northwest corner of Route 380 and El Camino Real (State Route 82) in San Bruno, California.

The six-story structure will have two levels of parking. Four stories of apartments will be built atop the parking to complete the six story structure. Residents of the Project will have access to an adjacent, stand-alone recreation center including a covered, heated pool, fitness equipment, home theater and entertainment rooms, and a business center.

Interior Project amenities will include: full kitchens with equipped with refrigerator, electric stove, microwave, garbage disposal, and dishwasher. Each unit will also be supplied with a gas-fired heating system and a stacked washer and dryers system. The interior finish will include plastic laminate countertops, designer carpeting in the living, dining, and bedroom areas, and sheet vinyl flooring in the kitchen and bathrooms.

* Includes up to two management units, which will not be subject to the set-aside and rent schedule requirements described below.

The unit mix, including restricted and market rate units, will consist of the following:

		<u>Square Feet</u>	<u>Number of Units</u>
One Bedroom	One Bath	594	22
One Bedroom	One Bath	620	56
Two Bedrooms	One Bath	893	32
Two Bedrooms	Two Baths	905	51
Penthouse	Two Baths	<u>1,3000</u>	<u>24</u>
Total			<u><u>185</u></u>

Rental Restrictions

Pursuant to the Regulatory Agreement, at all times during the Qualified Project Period, at least 20% of the units in the Project will be restricted to tenants earning no more than 50% of the median gross income for the area (“AMI”) in which the Project is located adjusted for family size. In addition, the Regulatory Agreement requires that all such restricted units be rented to tenants at rents not greater than 30% of 50% of area median income, adjusted for family size.

The Project will also be subject to the terms and conditions of a resolution of the California Debt Limit Allocation Committee (the “CDLAC Resolution”) with respect to the ownership, operation and management of the Project. Copies of the CDLAC Resolution are available from the Borrower and/or Trustee upon written request.

In connection with a redevelopment plan, the Project will be subject to the terms of an Owner Participation Agreement (the “Owner Participation Agreement”) by and between the City of San Bruno Redevelopment Agency and the Borrower and a related Affordable Housing Covenant and will, among other things, require the Borrower to make available 60 units in the Project to persons and households of very-low incomes at affordable rents.

In addition, at a future date, the Borrower may seek to use low-income housing tax credits in connection with the Project. Should this occur, the Borrower will be required to execute a Regulatory Agreement (Extended Use Agreement) (the “Tax Credit Regulatory Agreement”) in accordance with Section 42 of the Code. The Tax Credit Regulatory Agreement would impose additional low-income housing tax credit income targeting and rent restrictions for the Project under Section 42 of the Code for a 15-year compliance period, subject only to a few exceptions. The Tax Credit Regulatory Agreement would be executed before the end of the first year of the credit period (as defined in Section 42 of the Code) and recorded in the land records as a covenant running with the land. The Tax Credit Regulatory Agreement for the Project would, among other things, require that the Borrower lease a certain percentage of the units in the Project to low-income tenants all in accordance with Section 42 of the Code.

The Trustee

The Trustee is Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successors or assigns, or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

The mailing address of Trustee is Corporate Trust Services, 555 Montgomery Street, 10th Floor, San Francisco, CA 94111.

Limited Recourse to Borrower

Neither Borrower nor its respective partners have been nor will they be (subject to certain exceptions to nonrecourse liability set forth in the Note) personally liable for payments on the Note, the payments on which are to be applied to pay the principal of and interest on the Bonds, nor will the Borrower or the partners of the Borrower, subject to certain exceptions to nonrecourse liability set forth in the Note and the Financing Agreement, be personally liable under the other documents executed in connection with the issuance of the Bonds and the making of the Loan. Furthermore, except to the extent expressly set forth herein, no representation is made that the Borrower will have substantial funds available for the Project. Accordingly, neither the Borrower's financial statements, if any, nor those of its partners, if any, are included in this Official Statement.

BONDHOLDERS' RISKS

Purchase of the Bonds involves certain investment risks. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices attached hereto) in order to make a judgment as to whether the Bonds are an appropriate investment. Certain of the risks associated with the purchase of the Bonds are described below. Such risks should not affect the payment of principal of and interest on the Bonds if the Credit Provider fulfills its obligations under the Credit Facility. However, upon any inability or refusal of the Credit Provider to fulfill the obligations under the Credit Facility, payment of the principal of and interest on the Bonds would be subject to the various risks described below. The following list of factors, while not setting forth all the factors which must be considered, contains some of the factors which should be considered prior to purchasing the Bonds. THIS DISCUSSION OF RISK FACTORS IS NOT, AND IS NOT INTENDED TO BE, COMPREHENSIVE OR EXHAUSTIVE.

Real Estate Risks

Normal Risks. Normal risks attending any investment in real estate include possible adverse use of adjoining land, fire or other casualty, condemnation, increased taxes, changes in demand for such facilities, increases in utility rates, adverse general and local economic conditions, energy shortages, a decline in property values in the geographic area of the Project, increases in operating costs due to inflation, non-compliance of tenants with the terms of their leases, unfavorable governmental regulation (such as enactment of rent controls), force majeure and uninsurable risks, construction strikes and decrease in the relative popularity of real estate investments as contrasted with other investments. These risks and many others cannot be controlled by the Borrower and may have a substantial bearing on the profitability and financial feasibility of the Project, and which may affect the realizable value of the real estate and other collateral securing payment of the Bonds.

Failed Completion. In the event that the Project is not completed, the Bonds may be subject to mandatory tender or redemption.

Competing Facilities. There are other comparable apartment properties currently built that may compete with the Project for tenants. In addition, competing owners, including Affiliates of the Borrower, may develop, construct, acquire and/or operate other similar facilities that could compete with the Project for tenants and the Issuer, and other units of government may issue bonds for financing such projects. Any competing facilities could adversely affect rental rates, absorption and ultimately occupancy of the Project, the revenues generated by the Project and, consequently, may result in the risk of a mandatory redemption or mandatory tender for purchase of the Bonds prior to maturity resulting

from a default under the applicable Reimbursement Agreement. See “THE BONDS – Tender”, and “THE BONDS – Redemption Provisions” herein. There is no assurance that the tenants will not choose other competing projects over the Project.

Management of the Project. The successful operation of the Project will depend, to a large extent, upon the management services provided by the Property Manager and upon the ability of the Borrower to lease the units, keeping the Project substantially occupied through the term of the Bonds. There is no assurance that the Property Manager will operate the Project on a profitable basis. There can be no assurance that the Project will be operated in a manner which will provide sufficient moneys to pay principal and interest on the Loan and to operate and maintain the Project. See “THE PROJECT AND THE PRIVATE PARTICIPANTS” herein.

Requirements of Tax-Exempt Financing. The economic feasibility of the Project will depend, in large part, upon the Project being substantially occupied. The Borrower will be required, as a condition to preserving exclusion from federal income taxation of the interest on the Bonds, to restrict the occupancy of a portion of the units to tenants of very low income. In addition, the amount of rent that may be charged on such units will be restricted. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” attached hereto and the captions “THE PROJECT AND THE PRIVATE PARTICIPANTS” and “TAX MATTERS” herein. There can be no assurance that the Borrower will be able to rent units to comply with these requirements or at rentals which will enable it to make timely payments on the Note.

Effect of Increases in Operating Expenses. It is impossible to predict future increases in operating expenses. Substantial increases in operating expenses will affect future net operating income of the Project and the ability of the Borrower to meet its debt service obligations, primarily, its reimbursement obligations to the Credit Provider.

Environmental Matters. There are potential risks relating to environmental liability associated with the ownership of any property, including the Project. If hazardous substances are found to be located on the Project, the owners of the Project, including the Borrower, may be held liable for costs and other liabilities relating to such hazardous substances. In the event of foreclosure of the Project or active participation in the management of the Project by the Trustee on behalf of the Bondholders, the Trustee (and, indirectly, the Bondholders) may be held liable for costs and other liabilities related to hazardous substances, if any, on the site of the Project on a strict liability basis and such costs may exceed the value of the Project.

Other Risks

The Credit Facility. The Credit Provider will issue the Credit Facility which will authorize the Trustee to draw on or request advances under, as applicable, the Credit Facility, in accordance with the terms and conditions set forth in the applicable Credit Facility. Such draws or requests are to be made periodically in an amount equal to the interest due on the Bonds and, in the event of the redemption, tender for purchase by a Bondholder, mandatory tender for purchase by a Bondholder or acceleration of the maturity of the Bonds, an amount not to exceed the principal amount or purchase price of the Bonds to be redeemed or purchased plus accrued interest on such principal amount or purchase price. The Credit Facility is the Bondholders’ expected source of payment of principal of and interest on the Bonds. Certain information with respect to the Credit Provider and the Credit Facility is included in this Official Statement under the headings “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Credit Facility”, “THE BANK” and, separately, “FANNIE MAE” and “APPENDIX I – PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY.” Prospective purchasers of the Bonds should analyze the credit and liquidity qualifications of the Bank and, on the assumption that Conversion will

occur, Fannie Mae, in making any investment decision regarding the Bonds. In the event the Credit Provider is unable to pay the principal of and interest on the Bonds as such payments become due, the Bonds will be payable solely from moneys received by the Trustee pursuant to the Note.

Liquidity Expiration Date. The liquidity commitment of Fannie Mae in the Fannie Mae Credit Facility will expire in advance of the maturity date of the Bonds and be subject to early termination as provided in the Fannie Mae Credit Facility. Early termination of the liquidity commitment will cause a Mandatory Tender of the Bonds. See “APPENDIX I – PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY” attached hereto and “THE BONDS – Tender”.

Limited Obligations. The Bonds are limited obligations of the Issuer, payable solely from the Security. The Bonds are not a debt of the State or of any other political subdivision of the State (except the Issuer, to the limited extent set forth in this Indenture), and neither the State nor any other political subdivision of the State (except the Issuer, to the limited extent set forth in the Indenture) will be liable for the payment of the Bonds. The faith and credit of the Issuer, the State or any political subdivision of the State are not pledged to the payment of the principal of or interest on the Bonds. Neither the members of the Issuer, nor any person executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason thereof..

Risks While in Variable Rate Mode. While the Bonds are in the Weekly Variable Rate Mode (a) they are subject to optional redemption without premium; and (b) the interest rate borne by the Bonds is fully floating, subject to the Maximum Rate. Following the Conversion Date, the Borrower has agreed to enter into Hedge Documents which, among other things, mitigate interest rate risk for the Borrower and impose certain additional obligations on the Borrower.

Risk of Taxability. The Borrower and the Issuer have covenanted and agreed to comply with the provisions of the Code relating to the excludability from gross income of the interest payable on the Bonds for federal income tax purposes. The financing documents contain provisions and procedures designed to assure compliance with such covenants. If, however, the Borrower or the Issuer fails to comply with such covenants, interest on the Bonds may be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. However, such federal tax compliance covenants will be subordinate to the rights of the Credit Provider under the Loan Documents and the enforcement of such federal tax compliance covenants will be subject to approval of the Credit Provider.

THERE IS NO PROVISION IN THE INDENTURE OR THE BONDS FOR REDEMPTION, ACCELERATION OR TENDER OF THE BONDS OR FOR PAYMENT OF ADDITIONAL INTEREST ON THE BONDS IF INTEREST ON THE BONDS BECOMES INCLUDABLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

THE LOAN SERVICER

The following has been provided by GMAC Commercial Mortgage Corporation, a California corporation (the “Loan Servicer”) and none of the Borrower, the Issuer nor the Underwriter, subject to the standard of review found on the inside cover hereof, will assume any responsibility for the accuracy and completeness of such information.

Beginning on the Conversion Date, the Loan Servicer will perform mortgage servicing functions with respect to the Loan on behalf of and in accordance with Fannie Mae requirements. The servicing arrangements between Fannie Mae and the Loan Servicer for the servicing of the Loan are solely between

Fannie Mae and the Loan Servicer and neither the Issuer nor the Trustee is deemed to be party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Loan.

The Loan Servicer will be obligated, pursuant to its arrangements with Fannie Mae and Fannie Mae's servicing requirements, to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by Fannie Mae. Fannie Mae will monitor the Loan Servicer's performance and has the right to remove the Loan Servicer with or without cause. The duties performed by the Loan Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts and collection of insurance claims.

The selection (or replacement) of the Loan Servicer is in the sole and absolute discretion of Fannie Mae. The servicing arrangements between the Loan Servicer and Fannie Mae are subject to amendment or termination from time to time without the consent of the Issuer, the Trustee or the Borrower, and none of the Trustee, the Issuer or the Borrower have any rights under, and none is a third party beneficiary of, the servicing arrangements between the Loan Servicer and Fannie Mae.

The Loan Servicer is an approved DUS seller/servicer under Fannie Mae's Delegated Underwriting and Servicing product line.

The Loan Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of the Project or compliance with any securities, tax or other laws or regulations. The Loan Servicer's role is limited to underwriting and servicing the Loan.

TAX MATTERS

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to certain qualifications described below, under existing law, until any Reset Date or Fixed Rate Adjustment Date (as such terms are defined in the Indenture), the interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "1986 Code"). It should be noted, however, that, in the opinion of Bond Counsel, such interest is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The opinion set forth in the first sentence of the preceding paragraph is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

The proposed form of the opinion of Bond Counsel is attached hereto at Appendix G.

LEGAL MATTERS

In connection with the issuance of the Bonds, Quint & Thimmig LLP, San Francisco, as Bond Counsel, will render the opinion attached hereto as Appendix G. The opinion of Bond Counsel will express no opinion and made no comment with respect to the sufficiency of the security for, or the marketability of, the Bonds.

Certain legal matters will be passed upon for the Issuer by Jones Hall, A Professional Law Corporation, San Francisco, California; for the Bank by Rutan & Tucker, LLP, Costa Mesa, California; for the Underwriter by Eichner & Norris PLLC, Washington, D.C.; for the Borrower by Pillsbury Winthrop LLP, San Francisco, California; and for Fannie Mae by its special counsel, O'Melveny & Myers LLP.

While Bond Counsel has participated in the preparation of certain portions of this Official Statement, it has not been engaged by the Issuer to confirm or verify, and, except as may be set forth in an opinion of Bond Counsel delivered to the Underwriter, expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information offering or disclosure documents or other information pertaining to the Issuer, the Borrower, the Bank, Fannie Mae, the Loan, the Credit Facility or the Bonds that may be prepared or made available by the Issuer, the Borrower, the Underwriter or others to the holders of the Bonds or other parties.

Payment of the fees and expenses of certain of the above-mentioned counsel, including Bond Counsel, are contingent upon issuance of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering the legal opinion, the opinion giver does not become an insurer or guarantor of an expression of professional judgment of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO LITIGATION

The Issuer

At the time of issuance of the Bonds, the Issuer delivered certificates to the effect that, to the knowledge of the authorized member of the Issuer, no litigation is pending or threatened against the Issuer (i) to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued, or the pledge or

application of any money or security provided for the payment of the Bonds, or (ii) which questions the validity of any of the Indenture, the Financing Agreement, the Regulatory Agreement or the Bonds.

The Borrower

At the time of issuance of the Bonds, the Borrower delivered a certificate to the effect that, there was not at that time pending or, to the knowledge of the Borrower, threatened any proceeding or litigation against the Borrower affecting the ability of the Borrower to enter into or deliver the Financing Agreement or the Regulatory Agreement, seeking to restrain or enjoin the Borrower's execution and delivery of the agreements described in this Official Statement, or contesting the existence of powers of the Borrower with respect to the transactions described in this Official Statement.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee, the Issuer and the Owners of the Bonds upon an Event of Default under the Financing Agreement, the Regulatory Agreement or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, including specifically the Federal Bankruptcy Code, the remedies provided for under the Federal Bankruptcy Code, the Financing Agreement, the Regulatory Agreement or the Indenture may not be readily available or may be limited.

In addition, the Financing Agreement and the Regulatory Agreement both provide that the obligations of the Borrower contained in such agreements (other than certain obligations to the Issuer and the Trustee individually and not on behalf of the Owners of the Bonds) will be limited obligations payable solely from the income and assets of the Borrower, and that no general or limited partner of the Borrower will have any personal liability for the satisfaction of any obligation of the Borrower under such agreements or of any claim against the Borrower arising out of such agreements or the Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The Borrower has consented to the distribution of this Official Statement by the Underwriter to prospective purchasers of the Bonds.

The Indenture provides that, among other things, absent a Wrongful Dishonor, the Credit Provider itself or Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider, will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture.

The Assignment also assigns certain Assigned Rights to the Credit Provider which would permit it to direct virtually all remedial proceedings, absent a Wrongful Dishonor.

MULTIPLE ROLES OF PARTIES

Affiliated subsidiaries of GMAC Commercial Holding Capital Corp. (“GCHCC”) are acting as the Underwriter and the Remarketing Agent for the Bonds and as Loan Servicer for the Loan. Conflicts of interest could arise by reason of the different capacities in which GCHCC and its affiliated subsidiaries act in connection with the Bonds and the Loan.

CONTINUING DISCLOSURE

During the time the Bonds bear interest at a Weekly Variable Rate pursuant to the Indenture, the Bonds are exempt from the continuing disclosure requirements of Securities Exchange Commission Rule 15c2-12(b)(5). Accordingly, no continuing disclosure with respect to the Bonds, the Borrower, Fannie Mae or the Issuer will be provided to the owners of the Bonds so long as the Bonds bear interest at a Weekly Variable Rate. Pursuant to the Financing Agreement, the Borrower covenanted and agreed that on and after adjustment of the Bonds to a Daily Rate, Reset Rate, or the Fixed Rate it will comply with and carry out all of the provisions of a continuing disclosure agreement.

RATING

The Bonds have received a rating of “A/A-1” from Standard & Poor’s Ratings Services, A Division of the McGraw Hill Companies, Inc. (the “Rating Agency”) based on the Letter of Credit. Any desired explanation of the significance of the rating should be obtained from the Rating Agency. Following Conversion, the Rating Agency may change the rating to reflect Fannie Mae’s credit enhancement and liquidity support for the Bonds. The Remarketing Agent will confirm, prior to the date the Trustee mails the notice to the Bondholders of the Conversion Date, the rating to be in effect with respect to the Bonds from and after the Conversion Date. Certain information and materials not included in this Official Statement were furnished to the Rating Agencies. Generally, rating agencies base their rating on the information and materials so furnished and on investigations, studies, and assumptions by the rating agencies. The rating is not a recommendation to buy, sell, or hold the Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Neither the Underwriter, Remarketing Agent nor Issuer has undertaken responsibility either to bring to the attention of the Owners of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such a rating could have an adverse effect on the market price of the Bonds if an Owner attempts to sell the same.

UNDERWRITING

The Bonds are being purchased by Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the “Underwriter”) for a price of 100% of the principal amount thereof. Upon issuance of the Bonds on the Closing Date, the Borrower will pay the Underwriter a fee of \$186,000, from which the Underwriter will pay certain fees and expenses. The Underwriter has committed to purchase all of the Bonds if any of such Bonds are purchased and to use its best efforts to sell the Bonds. The Bonds are being offered for sale to the public at the price set forth on the cover page

of this Official Statement, which price may be changed by the Underwriter from time to time without notice. The Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring Bonds for their own account or an account managed by them, at prices lower than the public offering price.

In addition to the Underwriting Fee, pursuant to the Remarketing Agreement, Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp., in its capacity as Remarketing Agent, is to be paid an ongoing fee in accordance with the terms of the Remarketing Agreement while the Bonds bear interest at the Variable Rate.

The Borrower has agreed, pursuant to the Bond Purchase Agreement to indemnify the Underwriter and the Issuer, and pursuant to the Remarketing Agreement to indemnify the Remarketing Agent, against certain liabilities relating to this Official Statement.

MISCELLANEOUS

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract between the Issuer and the purchasers or owners of any of the Bonds. This Official Statement has been duly approved by the Issuer and the Borrower. The use of this Official Statement has been duly approved by the Borrower.

This Official Statement has been duly authorized, executed and delivered by the Issuer and the Borrower:

**ABAG FINANCE AUTHORITY FOR NONPROFIT
CORPORATIONS**

By: /s/ Joseph K. Chan
Joseph K. Chan
Chief Financial Officer

[Signatures continue on next page]

[Counterpart Signature Page to the Official Statement]

THE CROSSING APARTMENT ASSOCIATES II LLC,
a Delaware Limited Liability Company

By: TMG-REGIS APARTMENT ASSOCIATES II LLC,
a California limited liability company
Its: Manager

By: TMG SB APARTMENT TEAM II LLC,
a California limited liability company
Its: Member

By: TMG PARTNERS,
a California corporation
Its: Manager

By: /s/ Cathy Greenwold
Name: Cathy Greenwold
Title: Executive Vice President

By: RHNC SB APARTMENT TEAM II LLC,
a California limited liability company
Its: Manager

By: REGIS HOMES OF NORTHERN
CALIFORNIA, INC.,
a California corporation
Its: Manager

By: /s/ Mark R. Kroll
Name: Mark R. Kroll
Title: President

APPENDIX A

SUMMARY OF CERTAIN DEFINITIONS

The following summary of the definitions contained in the various documents entered into with respect to the Bonds is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the full text of the documents described herein for the complete terms thereof.

“*Account*” means an account established within a Fund.

“*Achievement Agreement*” means from and after the Conversion Date, the Achievement Agreement, dated as of the date of the Conversion Date, between the Borrower and Fannie Mae, as amended, modified, supplemented or restated from time to time, and any agreement entered into in substitution thereof, which will be in substantially the form attached as an exhibit to the Construction Phase Financing Agreement.

“*Act*” means Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as now in effect and as it may from time to time hereafter be amended and supplemented.

“*Act of Bankruptcy*” means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Issuer.

“*Adjustment Date*” means any date on which the interest rate on the Bonds is adjusted to a different Mode or to a different Reset Rate. An Adjustment Date may only occur on an Interest Payment Date or, if such date is not a Business Day, the following Business Day. Any Reset Date and the Fixed Rate Adjustment Date are Adjustment Dates.

“*Advance*” means an advance made under the Fannie Mae Credit Facility.

“*Administrator*” will have the meaning set forth in the Regulatory Agreement.

“*Affiliate*” as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For the purposes of this definition, “control” (including with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

“*Alternate Credit Facility*” means a letter of credit (whether or not so named), surety bond, insurance policy, standby bond purchase agreement, credit enhancement instrument, collateral purchase agreement, mortgage backed security or similar agreement, instrument or facility provided in accordance with the Financing Agreement and satisfying the requirements of the Indenture. Neither the Letter of Credit (including any extension or renewal of the Letter of Credit) nor the Fannie Mae Credit Facility is an “Alternate Credit Facility.” For purposes of this definition, “letter of credit” means an irrevocable letter of credit (i) having the characteristics of a “credit” or “letter of credit” set forth in Section 5-103 of the UCC except that a letter of credit (A) may not be revocable and (B) may be issued only by (1) a national bank, (2) any banking institution organized under the laws of any state, territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the state or territorial banking commission or similar officials or (3) a branch or agency of a foreign bank, provided

that the nature and extent of federal and/or state regulation and the supervision of the particular branch or agency is substantially equivalent to that applicable to federal or state chartered domestic banks doing business in the same jurisdiction; and (ii) which meets the requirements of a Credit Facility under the Indenture.

“Alternate Credit Provider” means the provider of an Alternate Credit Facility.

“as their interests may appear” or *“as its interest may appear”* means, with reference to any of the Assigned Rights, the respective interests, exclusive of the Reserved Rights of the Issuer, of the Bank, of Fannie Mae and of the Trustee to such documents and rights as set forth in the Assignment.

“Assigned Rights” has the meaning given to that term in the Assignment.

“Assignment” means the Assignment and Intercreditor Agreement, dated as of the date of the Indenture, among the Issuer, the Trustee and the Bank (and its successors and assigns), and acknowledged and agreed to by the Borrower, as it may be amended, supplemented or restated from time to time.

“Authorized Attesting Officer” means the Secretary of the Issuer, or such other officer or official of the Issuer who, in accordance with the laws of the State, the bylaws or other governing documents of the Issuer, or practice or custom, regularly attests or certifies official acts and records of the Issuer, and includes any assistant or deputy officer to the principal officer or officers exercising such responsibilities.

“Authorized Bank Representative” means any person from time to time designated to act on behalf of the Bank by written certificate furnished to (i) the Issuer, (ii) the Trustee and (iii) prior to the Transition Date, the Loan Servicer and Fannie Mae. Such certificate must contain the specimen signature of the person authorized to act on behalf of the Bank by resolution or other appropriate action of the Board of Directors of the Bank or by its bylaws. Such resolution or other appropriate action may designate an alternate or alternates who will have the same authority, duties and powers as the Authorized Bank Representative. The Trustee may conclusively presume that a person designated in a written certificate filed with the Trustee as an Authorized Bank Representative is an Authorized Bank Representative until such time as such provider files with it and with (i) the Issuer and (ii) prior to the Transition Date, the Loan Servicer and Fannie Mae, a written certificate identifying a different person or persons to act in such capacity.

“Authorized Borrower Representative” means any person who, at any time and from time to time, is designated as the Borrower’s authorized representative by written certificate furnished to the (i) Issuer, (ii) the Trustee, (iii) the Loan Servicer and Fannie Mae and (iv) prior to the Conversion Date and from after the Transition Date, the Bank or the Alternate Credit Provider, as applicable. Such certificate must contain the specimen signature of the person authorized to act on behalf of the Borrower and be signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower Representative until such time as the Borrower files with the Trustee (with a copy to (i) the Issuer, (ii) prior to the Transition Date, the Loan Servicer and Fannie Mae, and (iii) prior to the Conversion Date and from and after the Transition Date, the Bank or the Alternate Credit Provider, as applicable) a written certificate revoking such authority.

“Authorized Denomination” means, (i) during any Daily Variable Rate Period or Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, and (ii) during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

“Authorized Officer” means the Secretary or Chief Financial Officer of the Issuer, and any other officer or employee of the Issuer designated by certificate of any of the foregoing as authorized by the Issuer to perform a specified act, sign a specified document or otherwise take action with respect to the Bonds.

“Available Moneys” means, as of any date of determination, any of (i) the proceeds of the Bonds; (ii) remarketing proceeds received from the Remarketing Agent or any purchaser of Bonds (other than funds provided by the Borrower, the Issuer, any Affiliate of either the Borrower or the Issuer or any guarantor of the Loan); (iii) moneys received by the Trustee pursuant to a draw on the Credit Facility; (iv) any other amounts, including the proceeds of refunding bonds, for which, in each case, the Trustee has received an Opinion of Counsel acceptable to each Rating Agency to the effect that the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 544, 547 or 550 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code; and (v) Investment Income derived from the investment of moneys described in clause (i), (ii), (iii) or (iv).

“Bank” means Comerica Bank, a Michigan banking corporation, provided that at any time that an Alternate Credit Facility is in effect prior to the Conversion Date, or after the Transition Date, each reference to the “Bank” will, prior to the Conversion Date or after the Transition Date, as the case may be, mean the Alternate Credit Provider which provided such Alternate Credit Facility.

“Bank Assignment” means the Assignment of Rights and Interests, dated as of the Conversion Date, from the Bank to Fannie Mae, and acknowledged and agreed to by the Borrower and the Trustee, as it may be amended, supplemented or restated from time to time; the Bank Assignment will be in substantially the form attached as an exhibit to the Construction Phase Financing Agreement, with such changes as will be approved or required by Fannie Mae.

“Bank Documents” means, individually and collectively, the Construction Phase Financing Agreement, the Letter of Credit, the Bank Reimbursement Agreement and all other documents evidencing, securing or otherwise relating to the Construction Phase Financing Agreement, the Letter of Credit or the Bank Reimbursement Agreement, including all amendments, supplements and restatements of such documents.

“Bank Pledge Agreement” means that certain Pledged Bonds Custody and Security Agreement, dated as of March 1, 2005, executed by the Borrower in favor of the Bank with respect to the Pledged Bonds.

“Bank Reimbursement Agreement” means that certain Reimbursement Agreement, dated as of March 1, 2005, between the Borrower and the Bank, as such agreement may be amended, modified, or restated from time to time, and, if an Alternate Credit Facility is in effect, any reimbursement agreement associated with such Alternate Credit Facility.

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as in effect now and in the future, or any successor statute.

“*Beneficial Owner*” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

“*BMA Index Rate*” means the rate published in The Bond Market Association Municipal Swap Index, produced by Municipal Market Data, a Thomson Financial Services Company, or its successors.

“*Bond*” or “*Bonds*” means the Issuer’s ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A in the original aggregate principal amount of \$49,600,000.

“*Bond Counsel*” means Quint & Thimmig, or (ii) any law firm selected by the Issuer and acceptable to the Credit Provider, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest payable on bonds issued by states and political subdivisions.

“*Bond Documents*” means the Assignment, the Bank Assignment, the Bonds, the Bond Purchase Agreement, the Credit Facility, the Disclosure Agreement, if any, the Financing Agreement, the Indenture, the Regulatory Agreement (and any other agreement relating to rental restrictions on the Project), the Remarketing Agreement, the Tax Certificate, any Tender Agent Agreement and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such agreement or instrument may be amended, supplemented or restated from time to time. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Reimbursement Agreement) is not a Bond Document.

“*Bondholder*,” “*holder*,” “*Owner*,” “*owner*,” “*Registered Owner*” or “*registered owner*” means, with respect to any Bond, the owner of the Bond as shown on the Bond Register.

“*Bondholder Tender Notice*” means a written notice meeting the requirements of the Indenture.

“*Bond Purchase Agreement*” means the Bond Purchase Agreement, dated March 16, 2005, among the Underwriter, the Issuer and the Borrower.

“*Bond Purchase Fund*” means the Bond Purchase Fund created by the Indenture.

“*Bond Register*” means the Bond Register maintained by the Trustee pursuant to the Indenture.

“*Bond Resolution*” means the Resolution No. 05-05 adopted by the Issuer on February 28, 2005, authorizing and approving the original issuance and sale of the Bonds and approving related documents.

“*Book-Entry Bonds*” means that part of the Bonds for which a Securities Depository or its nominee is the Bondholder.

“*Book-Entry System*” means an electronic system in which the clearance and settlement of securities transactions is made through electronic book-entry changes.

“*Borrower*” means The Crossing Apartment Associates II LLC, a limited liability company organized and existing under the laws of the State of Delaware, and its successors and assigns.

“*Borrower Documents*” means the Bond Documents to which the Borrower is a party, the Credit Facility Documents to which the Borrower is a party, the Bank Documents to which the Borrower is a party and the Loan Documents and all other documents to which the Borrower is a party and which are

being executed and delivered by the Borrower in connection with the transactions provided for in the Bond Documents, the Loan Documents and the Credit Facility Documents. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Construction Phase Financing Agreement) is not a Borrower Document.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close, (iii) any day on which banking institutions located in the city or cities in which the Designated Office of the Trustee or the Remarketing Agent is located are required or authorized by law or executive order to close, (iv) prior to the Fixed Rate Adjustment Date, a day on which the New York Stock Exchange is closed or on which banking institutions located in the city in which the Remarketing Agent is located are required or authorized by law or executive order to close, (v) on or after the Conversion Date, a day on which banking institutions located in the city in which the Designated Office of the Loan Servicer is located are required or authorized by law or executive order to close or (vi) so long as a Credit Facility is in effect, one of the following: (A) prior to the Conversion Date and from and after the Transition Date, any day on which the office of the Credit Provider responsible for making payments under the Letter of Credit or the office of the Alternate Credit Facility Provider responsible for making payments under any Alternate Credit Facility is closed or (B) from and after the Conversion Date, any day on which the Credit Provider is closed.

“Capitalized Moneys Account” means the Capitalized Moneys Account of the Loan Fund.

“Certificate of Borrower” means the Certificate of Borrower, dated the Conversion Date, required by Fannie Mae, as it may be amended, supplemented or restated from time to time; the Certificate of Borrower will be substantially in the form attached as an exhibit to the Construction Phase Financing Agreement with such changes as will be required by Fannie Mae.

“Closing Date” means March 18, 2005, being the date on which the Bonds are issued and delivered to or upon the order of the Underwriter in exchange for the purchase price thereof.

“Code” means the Internal Revenue Code of 1986, as amended; each reference to the Code is deemed to include (i) any successor internal revenue law and (ii) the applicable regulations whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code is deemed to include any successor provision of any successor internal revenue law and applicable regulations whether final, temporary or proposed under such provision or successor provision.

“Conditional Redemption” means a redemption where the Trustee has stated in the notice of redemption that the redemption is conditioned upon deposit of funds as further described in the Indenture.

“Conditions to Conversion” has the meaning given to that term in the Construction Phase Financing Agreement.

“Construction Phase” has the meaning given to that term in the Construction Phase Financing Agreement.

“Construction Phase Financing Agreement” means the Construction Phase Financing Agreement, dated as of March 1, 2005, among Fannie Mae, the Loan Servicer and the Bank and acknowledged, accepted and agreed to by the Borrower, as such agreement may be amended, modified, supplemented or restated from time to time.

“*Conversion*” means the conversion of the Loan from the Construction Phase to the Permanent Phase.

“*Conversion Date*” means the date of Conversion of the Loan pursuant to the Construction Phase Financing Agreement, which date will be the 15th day of a calendar month, or, if such day is not a Business Day, the next succeeding Business Day.

“*Conversion Notice*” means a written notice by the Loan Servicer to the Issuer, the Trustee, the Borrower, the Bank and Fannie Mae given on or before the Termination Date (a) stating that each of the Conditions to Conversion has been satisfied on or before the Termination Date or, if any Condition to Conversion has not been satisfied on or before the Termination Date, has been waived in writing by Fannie Mae on or before the Termination Date, (b) specifying the Conversion Date and (c) providing the Schedule of Deposits to Principal Reserve Fund to be attached as an Exhibit to the Fannie Mae Reimbursement Agreement.

“*Costs of Issuance*” means:

(a) the fees, costs and expenses incurred in connection with the original issuance and sale of the Bonds or any Additional Bonds or remarketing of the Bonds on the Closing Date of (i) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, if any, (ii) the Remarketing Agent (including discounts to the Remarketing Agent or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale or remarketing of the Bonds) and the Remarketing Agent’s counsel, (iii) Bond Counsel, (iv) the Trustee and the Trustee’s counsel, (v) the Loan Servicer and the Loan Servicer’s counsel, if any, (vi) the Credit Provider and the Credit Provider’s counsel, (vii) the Borrower’s counsel and the Borrower’s financial advisor, if any, (viii) the Rating Agency and (ix) the Bank and the Bank’s counsel;

(b) costs of printing the offering documents relating to the original issuance and sale of the Bonds; and

(c) all other fees, costs and expenses directly associated with the authorization, issuance, reoffering and delivery of the Bonds, including printing costs, costs of reproducing documents, filing and recording fees, and any fees, costs and expenses required to be paid to the Loan Servicer in connection with the origination of the Loan.

“*Costs of Issuance Deposit*” means the deposit in the amount set forth in the Indenture to be made by the Borrower with the Trustee on the Closing Date with respect to pay Costs of Issuance.

“*Costs of Issuance Deposit Account*” means the Costs of Issuance Deposit Account within the Costs of Issuance Fund created under the Indenture.

“*Costs of Issuance Fund*” means the Costs of Issuance Fund created by the Indenture.

“*Costs of the Project*” means the costs chargeable to the Project in accordance with generally accepted accounting principles, including, but not limited to, the costs of acquisition, construction, rehabilitation, reconstruction, restoration, repair, alteration, improvement and extension (in any of such events, “construction”) of any building, structure, facility or other improvement; stored materials for work in progress; the cost of machinery and equipment; the cost of the “Land” (as that term is defined in the Security Instrument), rights-in-lands, easements, privileges, agreements, franchises, utility extensions, disposal facilities, access roads and site development necessary or useful and convenient for the Project; financing costs, including, but not limited to, the Costs of Issuance, engineering and inspection costs; fees

paid to the developer of the Project; organization, administrative, insurance, legal, operating, letter of credit and other expenses of the Borrower actually incurred prior to and during construction; and all such other expenses as may be necessary or incidental to the financing, acquisition, construction or completion of the Project or any part of it, including, but not limited to, the amount of interest expense incurred with respect to the Loan prior to the Completion Date (as defined in the Regulatory Agreement); insurance premiums payable by the Borrower and taxes and other governmental charges levied on the Project.

“*County*” means the County of Marin, California.

“*Credit Facility*” means (i) prior to the Conversion Date and on and after the Transition Date, the Letter of Credit, (ii) from and after the Conversion Date, the Fannie Mae Credit Facility and (iii) at such time as an Alternate Credit Facility is in effect, the Alternate Credit Facility.

“*Credit Facility Account*” means the Credit Facility Account of the Revenue Fund.

“*Credit Facility Documents*” means, (i) prior to the Conversion Date and on and after the Transition Date, the Bank Documents and (ii) from and after the Conversion Date, the Fannie Mae Reimbursement Agreement, the Fannie Mae Pledge Agreement, the Certificate of Borrower, all Collateral Agreements (as that term is defined in the Fannie Mae Reimbursement Agreement), the Hedge Documents, the Fannie Mae Hedge Security Agreement, the Fannie Mae Hedge Reserve Escrow Account Security Agreement, the Achievement Agreement and all other agreements and documents securing Fannie Mae or otherwise relating to the provision of the Fannie Mae Credit Facility, as any such agreement may be amended, supplemented or restated from time to time. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Construcion Phase Financing Agreement) is not a Credit Facility Document.

“*Credit Provider*” means, so long as (i) the Letter of Credit is in effect, the Bank, (ii) at such time and so long as the Fannie Mae Credit Facility is in effect, Fannie Mae, or (iii) any Alternate Credit Facility is in effect, the Alternate Credit Provider then obligated under the Alternate Credit Facility.

“*Custodian*” means the custodian under the Pledge Agreement.

“*Daily Variable Rate*” means the variable rate of interest per annum for the Bonds determined from time to time during the Daily Variable Rate Period in accordance with the Indenture.

“*Daily Variable Rate Period*” means the period commencing on an Adjustment Date on which the interest rate on the Bonds is adjusted from the Weekly Variable Rate or a Reset Rate to the Daily Variable Rate and ending on the day preceding the following Adjustment Date or the Maturity Date.

“*Designated Office*” of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer means, respectively, the office of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer at the respective address set forth in the Indenture or at such other address as may be specified in writing by the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer, as applicable, as provided in the Indenture.

“*Disclosure Agreement*” means any Continuing Disclosure Agreement by and between the Borrower and the Trustee, effective as of the first Adjustment Date on which the interest rate on the Bonds is adjusted to a Fixed Rate or a Reset Rate.

“*Draw*” means a payment under the Letter of Credit or any Alternate Credit Facility.

“DTC” means The Depository Trust Company and any successor to it or any nominee of it.

“DTC Participant” has the meaning given to that term in the Indenture.

“Electronic Means” means a facsimile transmission or any other electronic means of communication approved in writing by the Credit Provider.

“Event of Default” means, as used in any Transaction Document, any event described in that document as an Event of Default. Any “Event of Default” as described in any Transaction Document is not an “Event of Default” in any other Transaction Document unless that other Transaction Document specifically so provides.

“Extension Date” means, with respect to the Letter of Credit or any Alternate Credit Facility, the date which is five Business Days prior to the date of expiration of the Letter of Credit or the Alternate Credit Facility, as applicable.

“Extraordinary Items” means, with respect to the Trustee, reasonable compensation for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses including reasonable fees and expenses of its counsel.

“Facility Fee” means the fees owed to the Credit Provider by the Borrower pursuant to the Bank Reimbursement Agreement or Fannie Mae Reimbursement Agreement, as applicable.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (I) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Fannie Mae” means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C., § 1716 et seq., and its successors and assigns.

“Fannie Mae Commitment” means Fannie Mae’s Commitment to the Loan Servicer, pursuant to which Fannie Mae has agreed, upon satisfaction of the terms and conditions set forth in the Fannie Mae Commitment, to provide credit enhancement and liquidity support for the Bonds effective as of the Conversion Date.

“Fannie Mae Credit Facility” means, from and after the Conversion Date, the Direct Pay Irrevocable Transferable Credit Enhancement Instrument, dated the Conversion Date, issued by Fannie Mae to the Trustee, as such facility may be amended, supplemented or restated from time to time; the Fannie Mae Credit Facility will be in substantially the form attached as an exhibit to the Construction

Phase Financing Agreement, with such changes as will be required by Fannie Mae or the Rating Agency (in order to achieve a rating on the Bonds in the Highest Rating Category of such Rating Agency).

“Fannie Mae Hedge Reserve Escrow Account Security Agreement” means, from and after the Conversion Date, the Hedge Reserve Escrow Account Security Agreement, dated as of the Conversion Date; among the Borrower, the Loan Servicer and Fannie Mae; the Fannie Mae Hedge Reserve Escrow Account Security Agreement will be in substantially the form attached as an exhibit to the Construction Phase Financing Agreement, with such changes as will be approved or required by Fannie Mae.

“Fannie Mae Hedge Security Agreement” means, from and after the Conversion Date, the Hedge Security Agreement, dated as of the Conversion Date, among the Borrower, the Loan Servicer and Fannie Mae; the Fannie Mae Hedge Security Agreement will be in substantially the form attached as an exhibit to the Construction Phase Financing Agreement, with such changes as will be approved or required by Fannie Mae.

“Fannie Mae Pledge Agreement” means, from and after the Conversion Date, the Pledged Bonds, Custody and Security Agreement, dated as of the Conversion Date, among the Borrower, Wells Fargo Bank, National Association, as custodian and collateral agent for Fannie Mae, and Fannie Mae, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor; the Fannie Mae Pledge Agreement will be in substantially the form attached as an exhibit to the Construction Phase Financing Agreement, with such changes as will be approved or required by Fannie Mae.

“Fannie Mae Reimbursement Agreement” means, from and after the Conversion Date, the Reimbursement Agreement, dated as of the Conversion Date, between Fannie Mae and the Borrower, as it may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor; the Fannie Mae Reimbursement Agreement will be substantially in the form attached as an exhibit to the Construction Phase Financing Agreement, with such changes as will be approved or required by Fannie Mae.

“Fees Account” means the Fees Account of the Revenue Fund.

“Fees and Expenses” means the fees, advances, out-of-pocket expenses, costs and other charges payable by the Borrower from time to time pursuant to the Financing Agreement.

“Financing Agreement” means the Financing Agreement, dated as of March 1, 2005, by and among the Issuer, the Trustee and the Borrower, as amended, supplemented or restated from time to time.

“Fixed Rate” means the rate of interest borne by the Bonds as determined in accordance with the Indenture.

“Fixed Rate Adjustment Date” means the date on which the interest rate on the Bonds adjusts from the Daily Variable Rate, Weekly Variable Rate or a Reset Rate to the Fixed Rate pursuant to the Indenture.

“Fixed Rate Period” means the period beginning on the Fixed Rate Adjustment Date and ending on the earlier of the Maturity Date or the date the Bonds are redeemed in whole.

“Fund” means any fund created by the Indenture.

“Government Obligations” means direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America.

“Hedge Documents” has the meaning given that term in the Fannie Mae Hedge Security Agreement.

“Highest Rating Category” has the meaning, with respect to an Investment, given in this definition. If the Bonds are rated by a Rating Agency, the term *“Highest Rating Category”* means, with respect to an Investment, that the Investment is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term *“Highest Rating Category”* means, with respect to an Investment, that the Investment is rated by S&P or Moody’s in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is “A-1+” for debt with a term of three months or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG-1” (for fixed rate) or “VMIG-1” (for variable rate) for three months or less and “Aaa” for greater than three months. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate an Investment and (iii) one of those ratings is below the Highest Rating Category, then such Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment will be deemed to be rated below the Highest Rating Category. For example, an Investment rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

“Indenture” means the Trust Indenture between the Issuer and the Trustee, dated as of March 1, 2005, supplemented and restated from time to time.

“Interest Account” means the Interest Account of the Revenue Fund.

“Interest Payment Date” means (i) during any Daily Variable Rate Period or Weekly Variable Rate Period, the 15th day of each calendar month commencing April 15, 2005; (ii) during any Reset Period and during the Fixed Rate Period each March 15 and September 15 following the Adjustment Date, provided that the first Interest Payment Date during any such period may only occur on a date which is at least 30 days after the Adjustment Date; (iii) each Adjustment Date; (iv) for Bonds subject to redemption in whole or in part on any date, the date of such redemption, (v) the Maturity Date or, if the Bonds are adjusted to the Fixed Rate Mode, each Maturity Date and (vi) for all Bonds any date determined pursuant to the Indenture.

“Interest Requirement” means (i) during any Daily Variable Rate Period or Weekly Variable Rate Period prior to the Conversion Date and after the Transition Date, 34 days interest on the Bonds at the Maximum Rate on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed, (ii) during any Daily Variable Rate Period or Weekly Variable Rate Period after the Conversion Date, 34 days interest on the Bonds at the Maximum Rate on the basis of a 365- or 366- day year, as applicable, for the actual number of days elapsed and (iii) during a Reset Period or the Fixed Rate Period, 210 days interest at, respectively, the Reset Rate or the Fixed Rate, as the case may be, on the basis of a year of 360 days of twelve 30-day months; or, in the case of either (i) or (ii), such other number of days as may be required by the Rating Agency.

“Investment” means any Permitted Investment and any other investment held under the Indenture that does not constitute a Permitted Investment.

“Investment Agreement” means a Permitted Investment described in paragraph (g) of the definition of the term “Permitted Investments.”

“Investment Income” means the earnings, profits and accreted value derived from the investment of moneys pursuant to the Indenture.

“Issuer” means the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers authority organized and existing under the laws of the State of California, and its successors and assigns.

“Issuer Documents” means the Assignment, the Bonds, the Financing Agreement, the Indenture, the Loan Documents to which the Issuer is a party, the Regulatory Agreement and the Tax Certificate.

“Issuer’s Fee” means the bond administration fee of the Issuer, payable by the Borrower under the Financing Agreement and pursuant to the provisions of the Regulatory Agreement.

“Letter of Credit” means the irrevocable Letter of Credit issued and delivered by the Bank on the Closing Date, for the benefit of the Trustee, to provide credit enhancement and liquidity support for the Bonds, and any amendment, modification, or restatement of such letter of credit, any replacement letter of credit, any confirming letter or credit and any renewal(s) or extension(s) of any such letter of credit. Prior to the Conversion Date and after the Transition Date, if an Alternate Credit Facility is then in effect, each reference to the Letter of Credit will mean such Alternate Credit Facility.

“Letter of Credit Expiration Date” means March 30, 2008, subject to extension in accordance with the Bank Reimbursement Agreement.

“Letter of Representations” means when all the Bonds are Book-Entry Bonds, the Letter of Representations executed by the Issuer and the Trustee and delivered to the Securities Depository, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Liquidity Commitment” means the obligation of Fannie Mae to honor from time to time a request of the Trustee under the Fannie Mae Credit Facility to make a Liquidity Advance (as that term is defined in the Credit Facility). The Liquidity Commitment will automatically expire on the Liquidity Expiration Date.

“Liquidity Expiration Date” has the meaning given that term in the Fannie Mae Credit Facility. The Liquidity Expiration Date may be extended from time to time in accordance with the Reimbursement Agreement.

“Loan” means the loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance the acquisition and construction of the Mortgaged Property.

“Loan Documents” means, collectively, the Note, the Security Instrument and all other documents, agreements and instruments evidencing, securing or otherwise relating to the Loan, as each such document, agreement or instrument may be amended, supplemented or restated from time to time.

Neither the Financing Agreement nor the Regulatory Agreement is a Loan Document and neither document is secured by the Security Instrument.

“Loan Fund” means the Loan Fund created by the Indenture.

“Loan Servicer” means the multifamily mortgage loan servicer designated from time to time by Fannie Mae.

“Mandatory Tender Date” means any date on which Bonds are required to be tendered pursuant to the Indenture, including any Adjustment Date, the first Business Day before a Liquidity Expiration Date, any Substitution Date, any Extension Date on or prior to which the Trustee has not been furnished with an extension of the Letter of Credit or Alternate Credit Facility then in effect or date specified by the Trustee as provided in the Indenture.

“Maturity Date” means March 15, 2040.

“Maximum Rate” means 12% per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (i) the written consent of the Credit Provider and the Borrower to a specified higher Maximum Rate not to exceed the lesser of the maximum rate permitted by law to be paid on the Bonds and the maximum rate chargeable on the Loan, (ii) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted by law and will not adversely affect either the validity of the Bonds or the exclusion of the interest payable on the Bonds from gross income for federal income tax purposes, and (iii) a new or amended Credit Facility in an amount equal to the sum of (A) the then outstanding principal amount of the Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate.

“Mode” means any of the Daily Variable Rate, Weekly Variable Rate, the Reset Rate and the Fixed Rate.

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

“Mortgaged Property” or *“Project”* has, prior to the Conversion Date, the meaning given to the term “Property” as defined in the Security Instrument, and subsequent to the Conversion Date, the meaning given to that term in the Security Instrument.

“Net Bond Proceeds” means the total proceeds derived from the issuance, reoffering and delivery of the Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser(s) of the Bonds.

“Net Bond Proceeds Account” means the Net Bond Proceeds Account within the Costs of Issuance Fund created under the Indenture

“Note” means the Multifamily Note, dated as of March 1, 2005, executed by the Borrower in favor of the Issuer and endorsed by the Issuer to the Bank and the Trustee, as their interests may appear, as it may be amended, supplemented or restated from time to time or any mortgage note executed in substitution therefor in accordance with the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

“*Note Interest*” has the meaning given to that term in the Note.

“*Opinion of Counsel*” means a written opinion of legal counsel, acceptable to the recipient(s) of such opinion. If the opinion is with respect to an interpretation of federal tax laws or regulations or bankruptcy matters, such legal counsel also must be an attorney or firm of attorneys experienced in such matters.

“*Outside Conversion Date*” has the meaning given that term in the Construction Phase Financing Agreement.

“*Outstanding*” means, when used with reference to the Bonds at any date as of which the amount of Outstanding Bonds is to be determined, all Bonds which have been authenticated and delivered under the Indenture except:

- (a) Bonds cancelled or delivered for cancellation at or prior to such date;
- (b) Bonds deemed to be paid in accordance with the Indenture; and
- (c) Bonds in lieu of which others have been authenticated under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are owned or held by or for the account of the Borrower and Pledged Bonds will be disregarded and deemed not to be Outstanding under the Indenture for the purpose of any such determination unless all Bonds are Pledged Bonds, Bonds owned or held by or for the account of the Borrower or a combination of Pledged Bonds and Bonds owned by or held for the account of the Borrower. In determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which are registered in the name of or known by the Trustee to be held for the account of the Borrower, including Pledged Bonds, will be disregarded.

“*Owner Participation Agreement*” means that certain Owner Participation Agreement (Paragon Apartments), dated as of March 1, 2005, by and between the City of San Bruno Redevelopment Agency and the Borrower, as amended or supplemented from time to time

“*Permanent Phase*” has the meaning given that term in the Construction Phase Financing Agreement.

“*Permitted Investments*” means, to the extent authorized by law for investment of moneys of the Issuer:

- (a) Government Obligations.
- (b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.
- (c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a

state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.

(d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category.

(e) Commercial paper rated in the Highest Rating Category.

(f) Interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts and bankers' acceptances, issued by a Qualified Financial Institution if either (i) the Qualified Financial Institution's unsecured short-term obligations are rated in the Highest Rating Category or (ii) such deposits, accounts or acceptances are fully insured by the Federal Deposit Insurance Corporation.

(g) An agreement held by the Trustee for the investment of moneys at a guaranteed rate with (i) the Credit Provider or (ii) a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or the Second Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or Second Highest Rating Category; provided that such agreement is in a form acceptable to the Credit Provider; and provided further that such agreement includes the following restrictions:

(i) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Trustee is required to pay moneys from the Fund(s) established under the Indenture to which the agreement is applicable, or (B) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement;

(ii) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks *pari passu* with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(iii) the Trustee receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(iv) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency or falls below the Second Highest Rating Category, the provider must, within 10 days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain the then current rating of the Bonds, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, so as to maintain the then current rating of the Bonds, (B) at the request of the Trustee or the Credit Provider, repay the principal of and accrued but unpaid interest on the investment, in either case

with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category or the Second Highest Rating Category. The agreement may provide that the down-graded provider may elect which of the remedies to the down-grade (other than the remedy set out in (B)) to perform.

Notwithstanding anything else in this paragraph (g) to the contrary and with respect only to any agreement described in this paragraph or any guarantee or insurance for any such agreement which is to be in effect for any period after the Conversion Date, any reference in this paragraph to the “Second Highest Rating Category” will be deemed deleted so that the only acceptable rating category for such an agreement, guarantee or insurance will be the Highest Rating Category.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Trustee or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AAAM-G or AAAM by S&P or Aaa by Moody’s so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Credit Provider, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). If the Bonds are rated by a Rating Agency, the money market mutual fund must be rated AAAM-G or AAAM by S&P, if S&P is a Rating Agency, or Aaa by Moody’s, if Moody’s is a Rating Agency. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated AAAM-G or AAAM by S&P or Aaa by Moody’s. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Credit Provider.

Permitted Investments will not include any of the following:

(i) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (i) will not apply to any obligation that provides for the optional or mandatory tender, at par, by the holder of such obligation at least once within one year of the date of purchase, Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to the Indenture, and Permitted Investments listed in paragraphs (g)(i) above.

(ii) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation.

(iii) Any asset-backed security, including mortgage-backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities.

(iv) Any interest-only or principal-only stripped security.

(v) Any obligation bearing interest at an inverse floating rate.

(vi) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(vii) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

(viii) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment.

(ix) Any investment to which S&P has added an “r” or “t” highlighter.

“*Person*” means a natural person, estate, trust, corporation, partnership, limited liability company, association, public body or any other organization or entity (whether governmental or private).

“*Pledge Agreement*” means (i) prior to the Conversion Date and from and after the Transition Date, the Bank Pledge Agreement, and (ii) from and after the Conversion Date, the Fannie Mae Pledge Agreement.

“*Pledged Bond*” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Borrower with the proceeds of a Draw under the Letter of Credit, an Advance under the Credit Facility or Draw under an Alternate Credit Facility, as applicable, to, but excluding, the date on which the amount of the Draw or Advance (a Liquidity Advance under the Fannie Mae Credit Facility) made by the Credit Provider on account of such Pledged Bond is reinstated under the Credit Facility.

“*Pledged Tax Increment Account*” means the Pledged Tax Increment Account of the Revenue Fund.

“*Potential Default*” means, as used in any Transaction Document, any event that has occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default as described in that document. Any “Potential Default” as described in any Transaction Document is not a “Potential Default” in any other Transaction Document unless that other Transaction Document specifically so provides.

“*Pre-Conversion Loan Equalization Payment*” has the meaning given to that term in the Note.

“*Preference Claim*” has the meaning given that term in the Indenture.

“*Principal Amount*” means \$49,600,000, the outstanding principal amount of the Bonds on the Closing Date.

“*Principal Reserve Amount*” means 20% of the principal amount of the Bonds Outstanding immediately after the Conversion Date.

“*Principal Reserve Fund*” means the Principal Reserve Fund created by the Indenture.

“Principal Reserve Schedule” means the Schedule of Deposits to Principal Reserve Fund attached to the Fannie Mae Reimbursement Agreement, as such schedule may be amended, supplemented or restated from time to time.

“Project Account” means the Project Account of the Loan Fund.

“Qualified Financial Institution” means any of: (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Credit Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (vii) any other entity which is acceptable to the Credit Provider. With respect to an entity which provides an agreement held by the Trustee for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term “Permitted Investments” or an entity which guarantees or insures, as applicable, the agreement, a “Qualified Financial Institution” may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

“Qualified Project Costs” means costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) will be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the Project will not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed or rehabilitated by an Affiliate (whether as a general contractor or a subcontractor), Qualified Project Costs will include only (A) the actual out-of-pocket costs incurred by such Affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliate, and (C) any overhead expenses incurred by the Affiliate which are directly attributable to the work performed on the Project, and will not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the date of a declaration of “official intent” to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid).

“Rate Determination Date” means (i) with respect to the Weekly Variable Rate, Wednesday of each week, or if such Wednesday is not a Business Day the following day or if such day is not a Business Day, then the first Business Day before such Wednesday; provided, however, that upon any adjustment to the Weekly Variable Rate Mode from a Reset Rate, the first Rate Determination Date will be the Business Day prior to the Adjustment Date, (ii) with respect to the Daily Variable Rate, each Business Day, and (iii) with respect to any Reset Rate and the Fixed Rate, the date selected by the Remarketing Agent which date must be a Business Day not less than five Business Days prior to the Adjustment Date. The initial Rate Determination Date will be the Remarketing Date.

“Rating Agency” means any nationally recognized statistical rating agency then maintaining a rating on the Bonds.

“Rebate Analyst” means a Person that is (i) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and in compliance with the arbitrage rebate regulations promulgated under the Code, (ii) chosen by the Borrower and (iii) engaged for the purpose of determining the amount of required deposits, if any to the Rebate Fund.

“Rebate Analyst’s Fee” means the annual continuing fee of the Rebate Analyst, if any, for its rebate calculation services.

“Rebate Fund” means the Rebate Fund created by the Indenture.

“Record Date” means, with respect to any Interest Payment Date, (i) if the Bonds bear interest at the Daily Variable Rate or Weekly Variable Rate, the Business Day before the Interest Payment Date and (ii) if the Bonds bear interest at a Reset Rate or the Fixed Rate, the first day of the month in which the Interest Payment Date occurs.

“Redemption Account” means the Redemption Account of the Revenue Fund.

“Redemption Date” means any date upon which Bonds are to be redeemed pursuant to the Indenture.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants relating to the Project, dated as of March 1, 2005, between the Issuer and the Borrower, as it may be amended, supplemented or restated from time to time.

“Reimbursement Agreement” means (i) prior to the Conversion Date and from and after the Transition Date, the Bank Reimbursement Agreement and (ii) from and after the Conversion Date, the Fannie Mae Reimbursement Agreement.

“Remarketing Agent” means Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. or any successor as Remarketing Agent designated in accordance with the Indenture.

“Remarketing Agent’s Fee” means the annual continuing fee of the Remarketing Agent for its remarketing services, payable quarterly.

“Remarketing Agreement” means the Remarketing Agreement, dated March 1, 2005, by and between the Borrower and the Remarketing Agent, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Remarketing Notice Parties” means the Borrower, the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, Fannie Mae and the Loan Servicer and prior to the Conversion Date and from and after the Transition Date, the Bank.

“Reoffering Date” means the date on which the Bonds are reoffered upon the order of the Remarketing Agent.

“Reserved Rights” means those certain rights of the Issuer under the Financing Agreement and the Regulatory Agreement to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to receive notices and to enforce notice and reporting requirements, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorneys’ fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Issuer, if any), and its right to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreement and the Regulatory Agreement.

“Reset Date” means any date upon which the Bonds begin to bear interest at a Reset Rate for the Reset Period then beginning.

“Reset Period” means each period of 10 years or more selected by the Borrower, or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider, during which the Bonds bear interest at a Reset Rate.

“Reset Rate” means during any Reset Period the rate of interest borne by the Bonds as determined in accordance with the Indenture.

“Revenue Fund” means the Revenue Fund created by the Indenture.

“Revenues” means all (i) payments made under the Credit Facility, (ii) Investment Income (excluding Investment Income earned from moneys on deposit in the Principal Reserve Fund, the Rebate Fund, the Fees Account and the Costs of Issuance Fund, but including Investment Income earned on Net Bond Proceeds deposited into the Costs of Issuance Fund and Investment Income on such Investment Income) and (iii) payments made under the Note.

“Second Highest Rating Category” means with respect to an Investment, that the Investment is rated by each Rating Agency in the second highest rating category given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Second Highest Rating Category” means, with respect to an Investment, that the Investment is rated by S&P or Moody’s in the second highest rating category given by that rating agency for that general category of security. By way of example, the Second Highest Rating Category for tax-exempt municipal debt established by S&P is “AA” for a term greater than one year, with corresponding ratings by Moody’s of “Aa.” If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate an Investment and (iii) one of those ratings is below the Second Highest Rating Category, then such Investment will not be deemed to be rated in the Second Highest Rating Category. For example, an Investment rated “AA” by S&P and “A” by Moody’s is not rated in the Second Highest Rating Category.

“Securities Depository” means, initially, DTC and its successors and assigns, and any replacement securities depository appointed under the Indenture.

“Security” means the Trust Estate and the Credit Facility.

“*Security Instrument*” means (i) prior to the Conversion Date and from and after the Transition Date, the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Construction Trust Deed), dated as of March 1, 2005, together with all riders and exhibits, securing the Note and the obligations of the Borrower to the Bank under the Bank Documents, and (ii) from and after the Conversion Date, the Amended and Restated Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of the Conversion Date, together with all riders and exhibits, securing the Note and the obligations of the Borrower to Fannie Mae under the Credit Facility Documents, each as executed by the Borrower with respect to the Project, as they may be amended, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, supplemented or restated from time to time.

“*Sinking Fund Payment*” means, as of any particular date of calculation, the amount required to be paid by the Issuer on a single future date for the retirement of Outstanding Bonds which mature after such future date, but excluding any amount payable by the Issuer by reason of the maturity of a Bond or by optional redemption at the election of the Issuer.

“*Sinking Fund Payment Date*” means any of the dates on which any of the Bonds matures or is subject to redemption through the application of Sinking Fund Payments as set out in a Sinking Fund Schedule.

“*Sinking Fund Schedule*” means a schedule of principal amounts of Bonds to mature or be subject to redemption through the application of Sinking Fund Payments on the specified dates and/or a schedule of principal amounts of Bonds maturing as serial Bonds.

“*S&P*” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

“*State*” means the State of California.

“*Stated Amount*” means originally \$50,154,433.00, comprised of (i) \$49,600,000 which will be available to the Trustee to pay the principal of the Bonds at maturity or upon redemption or acceleration or to pay the portion of the purchase price of Tendered Bonds representing the principal amount of the Tendered Bonds, plus (ii) \$554,433.00 which will be available to pay interest on the Bonds or to pay the portion of the purchase price of Tendered Bonds representing accrued interest on the Tendered Bonds, which amount will be increased if and to the extent Additional Bonds are issued and delivered.

“*Substitution Date*” means the date upon which an Alternate Credit Facility is to be substituted for the Credit Facility then in effect (including the date the Fannie Mae Credit Facility is substituted for the Letter of Credit), which date must be (i) an Interest Payment Date during a Daily Variable Rate Period or Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period and (ii) a date on which the Credit Facility for which substitution is being made is available to be accessed or drawn upon. The Transition Date is not a Substitution Date. An extension of any Extension Date by reason of the extension of a Credit Facility is not a Substitution Date.

“*Tax Certificate*” means the Tax Certificate, dated the Closing Date, executed and delivered by the Issuer and the Borrower, as amended, supplemented or restated from time to time, together with the Certificate Regarding Use of Proceeds, dated the Closing Date, executed and delivered by the Borrower.

“*Tax Event*” has the meaning given to that term in the Indenture.

“*Tender Agent*” means the Tender Agent named in the Indenture or its successor as Tender Agent under the Indenture named in accordance with the Indenture.

“*Tender Agent Agreement*” means any Tender Agent Agreement entered into by the Issuer, the Trustee and the Tender Agent in the event that the Trustee does not serve as Tender Agent under the Indenture, as such agreement may be amended, supplemented or restated from time to time.

“*Tender Date*” means any Mandatory Tender Date or any other date on which Bondholders are permitted under the Indenture to tender their Bonds for purchase.

“*Tendered Bond*” means any Bond which has been tendered for purchase pursuant to the applicable provisions of the Indenture.

“*Termination Date*” has the meaning given to that term in the Construction Phase Financing Agreement.

“*Third Party Fees*” means the Issuer’s Fee, the Rebate Analyst’s Fee, the Remarketing Agent’s Fee, the Tender Agent’s Fee and the Trustee’s Annual Fee. Neither the Fees and Expenses nor the Facility Fee is a Third Party Fee.

“*Transaction Documents*” means the Bond Documents, the Loan Documents and the Credit Facility Documents.

“*Transition Date*” means the date, if any, which is the day following the Termination Date if the Conversion Date does not occur on or before the Termination Date.

“*Trustee*” means Wells Fargo Bank, National Association, a national banking association, duly organized and existing under the laws of the United States of America, or its successors or assigns, or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“*Trustee’s Annual Fee*” means the ongoing compensation and expenses payable to the Trustee, including: (a) the annual administration fee of the Trustee, as Trustee for the ordinary services of the Trustee rendered under the Indenture during each twelve month period in the amount set forth in the Indenture, which will be payable semiannually in advance on each March 15 and September 15 with the first payment to be made on the Closing Date for the prorated period from the Closing Date to September 14, 2005; and (b) an annual fee of \$250, payable semiannually on March 15 and September 15, for the Trustee’s services as Dissemination Agent under the Disclosure Agreement (provided the Trustee is then serving as Dissemination Agent).

“*Trust Estate*” means the property, interests, rights, money, securities and other amounts pledged and assigned pursuant to the Indenture and the property, rights, money, securities and other amounts pledged and assigned by the Issuer to the Trustee and the Credit Provider pursuant to the Assignment.

“*UCC*” means the Uniform Commercial Code of the State as in effect now or in the future, whether or not such Uniform Commercial Code is applicable to the parties or the transactions.

“*Underwriter*” means Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

“*Week*” means any seven-day period during a Weekly Variable Rate Period beginning on Thursday and ending on and including the following Wednesday; except that:

(a) the first Week will begin on the Closing Date and end on and include the following Wednesday;

(b) the first Week of a Daily Variable Rate Period or a Weekly Variable Rate Period immediately following an Adjustment Date will begin on such Adjustment Date and end on and include the following Wednesday;

(c) any Week ending immediately before an Adjustment Date will begin on a Thursday and end on the day before such Adjustment Date;

(d) the final Week will begin on a Thursday and end on the earlier of an Adjustment Date or the Maturity Date;

(e) the first and last Weeks of a Daily Variable Rate Period or Weekly Variable Rate Period may consist of more (but not more than 13) or less than 7 days; and

(f) a new Week will begin on the Conversion Date and end on and include the following Wednesday.

“*Weekly Variable Rate*” means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period in accordance with the Indenture.

“*Weekly Variable Rate Period*” means the period commencing on the Closing Date or an Adjustment Date on which the interest rate on the Bonds is adjusted from the Reset Rate to the Weekly Variable Rate, and ending on the day preceding the following Adjustment Date or the Maturity Date.

“*Wrongful Dishonor*” means an uncured failure by the Credit Provider to pay a Draw or make an Advance, as applicable, to the Trustee upon proper presentation of documents which conform to the terms and conditions of the Credit Facility then in effect.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

The following is a brief summary of certain provisions of the Indenture that have not been described elsewhere in this Official Statement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, a copy of which is on file with the Trustee.

Funds and Accounts

The following Funds and Accounts were created with the Trustee under the Indenture:

- (a) the Loan Fund and within the Loan Fund, the Project Account, and Capitalized Moneys Account;
- (b) the Revenue Fund and within the Revenue Fund, the Interest Account, the Credit Facility Account, the Redemption Account, the Pledged Tax Increment Account and the Fees Account;
- (c) the Costs of Issuance Fund; and within the Costs of Issuance Fund, the Costs of Issuance Deposit Account and the Net Bond Proceeds Account;
- (d) the Rebate Fund;
- (e) so long as any Bonds are Outstanding and have not been adjusted to the Fixed Rate, the Bond Purchase Fund; and
- (f) the Principal Reserve Fund.

The Trustee will hold and administer the Funds and Accounts in accordance with the Indenture.

Loan Fund

Disbursements From the Capitalized Moneys Account. Until the earlier of (i) the depletion of the Capitalized Moneys Account and (ii) the Conversion Date (the Conversion Date being included as a date on which or for which, as the case may be, the Trustee is directed to perform this function), the Trustee will three Business Days prior to each date amounts are required to be paid as set forth in subparagraphs (i), (ii) and (iii) below determine if there are sufficient amounts on deposit in the Capitalized Fund Account to make the required payments in full on the required dates and will automatically transfer amounts on deposit in the Capitalized Moneys Account as follows:

- (i) Interest on the Note. Not later than one Business Days prior to each Interest Payment Date, the Trustee will transfer to the Interest Account an amount equal to the interest which will be payable on such Interest Payment Date by the Borrower under the Note;
- (ii) Facility Fee to the Credit Provider. Not later than one Business Day prior to each Interest Payment Date, the Trustee will transfer to the Interest Account an amount equal to the amount of the Facility Fee payable to the Credit Provider under the Reimbursement Agreement (or similar agreement if, after the Conversion Date, an Alternate Credit Facility is then in effect); and

(iii) Certain Other Fees. Not later than one Business Day prior to the date on which any Third Party Fee is due, the Trustee will transfer to the Fees Account, the amount of such Third Party Fee.

Transfers from the Capitalized Moneys Account will, so long as the Letter of Credit is outstanding, be made no later than the Business Day prior to the respective dates on which such payments are due. The Trustee will immediately notify the Bank, prior to the Conversion Date, and Fannie Mae and the Loan Servicer (on and after the Conversion Date) if sufficient funds are not available to make the transfers as and when required by this paragraph. Upon final disbursement of all amounts on deposit in the Capitalized Funds Account, the Trustee will close the Capitalized Funds Account.

Disbursements from the Project Account. The Trustee will disburse amounts on deposit in the Project Account as provided in the Indenture for the sole purpose of paying Costs of the Project.

Requisitions. The Trustee is to make disbursements from the Project Account only upon the receipt of Requisitions, each in the form of an exhibit attached to the Indenture, signed by an Authorized Borrower Representative and countersigned by an Authorized Bank Representative. The Trustee will have no duty to determine whether any requested disbursement from the Project Account complies with the Bank Documents. The countersignature of the Authorized Bank Representative on a Requisition will be deemed a certification and, insofar as the Trustee and the Issuer are concerned, constitute conclusive evidence, that all of the terms, conditions and requirements of the Bank Documents applicable to the disbursement have been fully satisfied or waived. The Trustee, immediately upon each receipt of a completed Requisition signed by the Authorized Borrower Representative and countersigned by an Authorized Bank Representative, is directed under the Indenture to initiate procedures with the provider of the Investment Agreement applicable to the Loan Fund, if any, to make withdrawals under that Investment Agreement as necessary to fund the Requisition.

Upon final disbursement of all amounts on deposit in the Loan Fund, the Trustee will close the Loan Fund.

Transfers to Effect Certain Mandatory Redemptions of Bonds.

Conversion; Excess Loan Funds. On or before the Conversion Date (and, if applicable, from time to time after the Conversion Date or the Transition Date) the Trustee is to transfer to the Redemption Account any amounts remaining on deposit in the Loan Fund, excluding from such transfer, however, any amount the Bank or the Loan Servicer, as applicable, determines is required to pay Costs of the Project which are then not yet due and payable or which are then being contested in good faith, in the case of any such transfer on or before the Conversion Date or after the Transition Date, as determined by the Bank (so long as the Letter of Credit is in effect) or any Alternate Credit Provider (at such time as an Alternate Credit Facility is in effect) and in the case of any such transfer after the Conversion Date, as determined by the Loan Servicer. The Trustee is to apply any amounts so transferred to the redemption of Bonds pursuant to the terms of the Indenture governing the redemption of Bonds in the event and to the extent that excess funds are on deposit in the Loan Fund.

Certain Other Mandatory Redemptions. Immediately prior to any mandatory redemption of the Bonds in whole pursuant to the terms of the Indenture governing the redemption of Bonds in the event of (a) casualty or condemnation or (b) after an Event of Default under the Reimbursement Agreement, at the written direction of the Credit Provider, any amounts then remaining in the Loan Fund are to be transferred to the Redemption Account to be applied to the redemption of Bonds pursuant to the applicable provision of the Indenture.

Revenue Fund – Interest Account

Deposits into the Interest Account. The Trustee is to deposit each of the following amounts into the Interest Account:

- (a) moneys provided by or on behalf of the Borrower relating to an interest payment under the Note whether paid pursuant to the Assignment or otherwise;
- (b) moneys provided by or on behalf of the Borrower for the payment of the Facility Fee to the Credit Provider under the Reimbursement Agreement;
- (c) moneys transferred from the Capitalized Moneys Account pursuant to the terms of the Indenture governing disbursements and transfers from the Loan Fund (as described above under the subheading “Loan Fund – Disbursements; Earnings; Transfer”) whether to pay accrued interest on the Bonds, the Facility Fee to the Credit Provider or otherwise;
- (d) all Investment Income on the Funds and Accounts (except that Investment Income earned on amounts on deposit in the Loan Fund, the Rebate Fund, the Costs of Issuance Fund and the Principal Reserve Fund is to be credited to and retained in those respective Funds or Accounts); and
- (e) any other moneys made available for deposit into the Interest Account from any other source, including, but not limited to, any excess amounts in the Bond Purchase Fund pursuant to the Indenture.

Disbursements from the Interest Account. The Trustee is to disburse or transfer, as applicable, moneys on deposit in the Interest Account at the following times and apply such moneys in the following manner and in the following order of priority:

- (a) On each (i) Interest Payment Date, (ii) Redemption Date and (iii) date of acceleration of the Bonds, the Trustee is to disburse to the Credit Provider the amount of any Draw or Advance, as applicable, under the Credit Facility relating to the payment of interest on the Bonds unless the Credit Provider is Fannie Mae and Fannie Mae has been timely reimbursed by the Loan Servicer for the amount of such Advance;
- (b) In the event of a Wrongful Dishonor until such Wrongful Dishonor is cured, the Trustee is to disburse to the Bondholders on each Interest Payment Date, an amount equal to the interest due on the Bonds on such date;
- (c) On each Interest Payment Date on or prior to Conversion, to the Credit Provider the amount of its Facility Fee;
- (d) If the Credit Provider or the Loan Servicer gives a written notice to the Trustee at any time to the effect that there is any unreimbursed Advance under the Credit Facility or any other amount required to be paid by the Borrower to the Credit Provider under the Loan Documents, the Bond Documents or the Credit Facility Documents remains unpaid, then the Trustee is to transfer any Investment Income earned on the Interest Account from an after the preceding Interest payment Date or the Closing Date, as applicable, to the Credit Provider but not in an amount which exceeds the amount stated as unpaid by the Credit provider or Loan Servicer in its notice to the Trustee; and
- (e) Unless (i) there is a deficiency in the Principal Reserve Fund, the Fees Account or the Rebate Fund or (ii) other than as described in paragraph (c) above, an Event of Default under any Credit

Facility Document or any Bond Document or a default under any Loan Document has occurred and is continuing, on each Interest Payment Date the Trustee is to disburse the Investment Income earned on or transferred to the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable, to the Borrower. If a deficiency exists in the Principal Reserve Fund, the Fees Account or the Rebate Fund, such Investment Income is to be transferred to the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

Revenue Fund – Redemption Account

Deposits into the Redemption Account. The Trustee is to deposit each of the following amounts into the Redemption Account:

(a) Available Moneys provided by or on behalf of the Borrower to fund the premium payable on Bonds in connection with a redemption of such Bonds, which amounts are to be held in a segregated subaccount in the Redemption Account;

(b) moneys transferred from the Loan Fund pursuant to the provisions of the Indenture governing transfers from the Loan Fund to effect certain mandatory redemptions of Bonds (as described above under the subheading “Loan Fund – Transfers to Effect Certain Mandatory Redemptions of Bonds”);

(c) moneys provided by or on behalf of the Borrower relating to a principal payment, including any prepayment, under the Note;

(d) moneys transferred from the Principal Reserve Fund pursuant to the terms of the Indenture governing the Principal Reserve Fund (as described herein under the heading “Principal Reserve Fund”); and

(e) any other amount received by the Trustee and required by the terms of the Indenture or the Financing Agreement to be deposited into the Redemption Account.

Disbursements from the Redemption Account. On each Redemption Date, date of acceleration of the Bonds, the Maturity Date and/or the date on which the Bonds are purchased in lieu of redemption in accordance with the provisions of the Indenture governing such purchase of Bonds in whole in lieu of redemption, the Trustee is to disburse from the Redemption Account (x) to the Credit Provider, the amount of any Draw or Advance, as applicable, under the Credit Facility relating to the payment of principal on the Bonds unless the Credit Provider is Fannie Mae and Fannie Mae previously has been reimbursed by the Loan Servicer for the amount of such Advance, or, (y) in the event of a Wrongful Dishonor, to the Bondholders, an amount equal to the principal due on the Bonds on such date. In addition, on any date on which premium payable on Bonds in connection with a redemption of such Bonds is due, the Trustee is to disburse to the Bondholders, from the segregated subaccount in the Redemption Account, Available Moneys in an amount sufficient to pay such premium.

Disbursements from the Redemption Account for Sinking Fund Payments.

Application of Moneys. Provided that no notice of optional redemption has been sent to Bondholders on or prior to the thirtieth day preceding a Sinking Fund Payment Date, at the written instruction of the Issuer (acting through an Authorized Officer), at the direction of the Borrower and with the prior written consent of the Credit Provider, the Trustee is to apply any Available Moneys accumulated in the Redemption Account on or prior to the thirtieth day preceding such Sinking Fund Payment Date to the purchase of Bonds of the maturity for which such Sinking Fund Payment was

established at prices (including any brokerage and other charges) not exceeding the redemption price for such Bonds plus accrued and unpaid interest to the date of purchase, such purchase to be made in such manner as the Trustee (after consultation with the Issuer, the Borrower and the Credit Provider) determines. On and after the Conversion Date, the Borrower is to provide a copy of such direction to the Loan Servicer concurrently with delivery to the Trustee.

Credit Toward Sinking Fund Payment. Upon the purchase of any Bond pursuant to the terms of the Indenture described in the immediately preceding paragraph, all such Bonds will be cancelled by the Trustee and an amount equal to the principal amount of the Bonds so purchased will be credited toward the Sinking Fund Payment next due with respect to the Bonds of such maturity. In the event the Trustee is able to purchase Bonds at a price less than the redemption price at which such Bonds were to be redeemed, then, presuming no notice of redemption has been sent to Bondholders, after payment by the Trustee of the purchase price of such Bonds and after payment of any other amounts due on the due date of such Sinking Fund Payment, the Trustee is to pay an amount not greater than the difference between the amount of such purchase price and the amount of such redemption price to, or at the written direction of, the Borrower.

Redemption. As soon as practicable after the thirtieth day preceding the due date of any such Sinking Fund Payment, and otherwise as provided in the Indenture, the Trustee, pursuant to the terms of the Indenture governing such Sinking Fund Payment, is to give notice of redemption of Bonds in such amount as is necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee is to call such Bonds for redemption whether or not it then has moneys in the Redemption Account sufficient to pay the applicable redemption price of the Bonds to be redeemed on the Redemption Date. The Trustee is to pay the amount required for the redemption of the Bonds called for redemption from the Funds specified in the Indenture, in the order of priority indicated, and such amount will be applied by the Trustee to such redemption.

Revenue Fund – Credit Facility Account

Deposits into the Credit Facility Account. The Trustee is to deposit into the Credit Facility Account all Draws and Advances, as applicable, under the Credit Facility, except that from and after the Conversion Date, (i) Liquidity Advances, if any, on account of the Issuer's Fee are to be deposited into the Fees Account and (ii) Pledged Bonds Advances are to be deposited into the Bond Purchase Fund pursuant to the Indenture. No other moneys are to be deposited into the Credit Facility Account and the Credit Facility Account is to be maintained as a segregated account and moneys in it are not to be commingled with any other moneys held under the Indenture. The Credit Facility Account is to be closed at such time as the Credit Provider has no continuing liability under the Credit Facility.

Transfers from the Credit Facility Account. The Trustee is to cause amounts deposited into the Credit Facility Account to be applied on the date payment is due to the payments for which the Draw or Advance, as applicable, was made pursuant to the Credit Facility. In no event are amounts in the Credit Facility Account to be applied to the payment of principal of and interest and any premium on any Pledged Bonds or on any Bonds known by the Trustee to be held by the Borrower or any Affiliate of the Borrower. Any amounts remaining in the Credit Facility Account after making the payment for which the Draw or Advance was made pursuant to the Credit Facility are to be immediately refunded to the Credit Provider.

Revenue Fund – Fees Account

Deposits into the Fees Account. The Trustee is to deposit into the Fees Account all

- (i) Capitalized Moneys Account. Moneys transferred from the Capitalized Moneys Account pursuant to the Indenture;
- (ii) Third Party Fees. Payments made by the Borrower under the Financing Agreement attributable to the Third Party Fees;
- (iii) Fees and Expenses. Payments made by the Borrower under the Financing Agreement attributable to the Fees and Expenses; and
- (iv) Amounts From the Fannie Mae Credit Facility. Amounts derived from the Fannie Mae Credit Facility for the payment of the Issuer's Fee.

Disbursements from the Fees Account. On any date on which any amounts are required to pay any Third Party Fees or any Fees and Expenses, such amounts are to be withdrawn by the Trustee from the Fees Account for payment to the appropriate party; provided, however, that amounts derived from the Credit Facility and deposited into the Fees Account will be used only to pay the Issuer's Fee when due which may be advanced from the Credit Facility only after the Conversion Date. In the event the amount in the Fees Account is insufficient to pay such Third Party Fees and Fees or any Fees and Expenses, the Trustee is to make written demand on the Borrower for the amount of such insufficiency and, pursuant to the terms of the Financing Agreement, the Borrower will be liable to promptly pay the amount of such insufficiency to the Trustee after the date of the Trustee's written demand. The Trustee will provide notice of the insufficiency to the Credit Provider and, after the Conversion Date, the Loan Servicer.

No other Claims to Trust Estate. None of the Tender Agent, the Remarketing Agent or the Rebate Analyst will have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to the Indenture into the Fees Account specifically for such Person. Except as otherwise stated in the sections of the Indenture governing (a) disposition of remaining moneys (as described below under the subheading "Disposition of Remaining Moneys") and (b) the payment of outstanding amounts, the Issuer will not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to the Indenture into the Fees Account specifically for the Issuer. Except as otherwise stated in the Indenture, the Trustee will not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to the Indenture into the Fees Account specifically for the Trustee.

Costs of Issuance Fund

Deposits into the Costs of Issuance Fund. On or before the Closing Date the Borrower will deliver the Costs of Issuance Deposit to the Trustee. On the Closing Date, the Trustee will deposit or transfer, as applicable, the Costs of Issuance Deposit into the Costs of Issuance Deposit Account of the Costs of Issuance Fund. On the Closing Date, the trustee will deposit any Net Bond Proceeds of the Bonds received to pay Costs of Issuance into the Net Bond Proceeds Account of the Costs of Issuance Fund.

Disbursements from the Costs of Issuance Fund. The Trustee is to disburse moneys on deposit in the Costs of Issuance Fund pursuant to requisitions in the form provided as an exhibit to the Indenture, signed by an Authorized Officer of the Issuer, to pay Costs of Issuance. The Trustee may conclusively rely on such requisitions for purposes of making such disbursements. Moneys on deposit in the Costs of

Issuance Fund will not be part of the Trust Estate and will be used solely to pay Costs of Issuance. Moneys, if any, in the Net Bond Proceeds Account will be used to satisfy draws on the Costs of Issuance Fund prior to the use of amounts in the Costs of Issuance Deposit Account of the Costs of Issuance Fund for such purpose.

Disposition of Remaining Amounts. Any moneys remaining in the (i) Costs of Issuance Deposit Account of the Costs of Issuance Fund three months after the Closing Date and not needed to pay still unpaid Costs of Issuance are to be returned to the Borrower and/or (ii) the Net Bond Proceeds Account three months after the Closing Date and not needed to still pay Costs of Issuance will be transferred to the Loan Fund. Upon final disbursement, the Trustee will close the Costs of Issuance Fund.

Rebate Fund

The Trustee is to hold and apply the Rebate Fund as provided in the Tax Certificate. Within 30 days after the end of every fifth Bond Year (as defined in the Tax Certificate), and within 55 days after the date on which no Bonds are Outstanding, the Borrower or the Trustee is to cause the Rebate Analyst to deliver to the Trustee and the Issuer a certificate stating whether any rebate payment is required to be made, as set forth in the Tax Certificate, and the Borrower is to deliver to the Trustee any amount so required to be paid.

Bond Purchase Fund

Deposits into Bond Purchase Fund. The Trustee is to deposit each of the following into the Bond Purchase Fund:

(a) remarketing proceeds received upon the remarketing of Tendered Bonds to any person; and

(b) Draws or Liquidity Advances, as applicable, under the Credit Facility to enable the Trustee to pay the purchase price of Tendered Bonds to the extent that moneys obtained pursuant to paragraph (a) are insufficient on any date to pay the purchase price of Tendered Bonds which amounts the Trustee will transfer to the Tender Agent on or before 3:00 p.m. Eastern Time on each Tender Date.

Subject to the provisions of the Indenture permitting reimbursement of amounts owed to the Credit Provider, moneys in the Bond Purchase Fund are to be held uninvested and exclusively for the payment of the purchase price of Tendered Bonds. Amounts held to pay the purchase price for more than two years are to be applied in the same manner as provided under the Indenture with respect to unclaimed payments of principal and interest.

Disbursements from the Bond Purchase Fund. The Trustee is to transfer to the Tender Agent on or before 3:00 p.m. Eastern Time on each Tender Date amounts on deposit in the Bond Purchase Fund to pay the purchase price of Tendered Bonds. The Tender Agent is to apply such amounts to pay the purchase price of Bonds purchased under the Indenture to the former owners of such Bonds upon presentation of the Bonds to the Tender Agent pursuant to the provisions of the Indenture governing the purchase and mandatory tender and purchase of Bonds.

Principal Reserve Fund

Deposits into the Principal Reserve Fund. If Conversion occurs, the Trustee is to deposit each of the following amounts into the Principal Reserve Fund:

(a) All of the monthly payments made by the Borrower in accordance with the Schedule of Deposits to Principal Reserve Fund attached to the Fannie Mae Reimbursement Agreement, as such schedule may be amended in accordance with the Fannie Mae Reimbursement Agreement; and

(b) Investment Income earned on amounts on deposit in the Principal Reserve Fund.

The Trustee may rely upon the Schedule of Deposits to Principal Reserve Fund attached to the Conversion Notice until it is furnished an amended schedule by Fannie Mae or the Loan Servicer.

Disbursements from the Principal Reserve Fund. The Trustee is to pay or transfer amounts on deposit in the Principal Reserve Fund as follows:

(a) at the written direction of the Credit Provider, to the Credit Provider to reimburse the Credit Provider for any unreimbursed Advance under the Credit Facility and to pay any other amounts required to be paid by the Borrower under the Loan Documents, the Bond Documents or the Credit Facility Documents (including any amounts required to be paid to the Credit Provider);

(b) at the written direction of the Credit Provider, with the written consent of the Borrower (so long as no Event of Default has not occurred and is not continuing under any of the Credit Facility Documents), to the Credit Provider or the Borrower, as the Credit Provider elects, to make improvements or repairs to the Project;

(c) at the written direction of the Credit Provider, if a default has occurred under the Credit Facility Documents, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the General Counsel of the Credit Provider;

(d) at the written direction of the Credit Provider, if a new mortgage and mortgage note have been substituted for the Security Instrument and the Note in accordance with the Loan Documents, or if the Borrower otherwise consents, for any purpose approved in writing by the General Counsel of the Credit Provider);

(e) on each Adjustment Date, to the Redemption Account;

(f) during a Weekly Variable Rate Period, on the tenth Business Day prior to each Interest Payment Date, all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of \$100,000) in excess of the Principal Reserve Amount, to the Redemption Account;

(g) to the Borrower, Investment Income on moneys in the Principal Reserve Fund on the Interest Payment Date following receipt by the Trustee of such interest or profits; provided that there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and that the Trustee has not received written notice from the Credit Provider or the Loan Servicer to the effect that an Event of Default has occurred under a Credit Facility Document, Loan Document or any Bond Document. If a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee is to transfer such Investment Income to the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

Moneys to Be Held in Trust

Except for (i) moneys deposited with or paid to the Trustee for the redemption of Bonds notice of the redemption of which has been duly given and (ii) moneys on deposit in the Costs of Issuance Fund, the Rebate Fund and the Fees Account, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account are to be held by the Trustee in trust and, while held by the Trustee, will constitute part of the Trust Estate and be subject to the security interest created by the Indenture.

Moneys Held for Particular Bonds

The amounts held by the Trustee for payment of the interest, premium, if any, principal or redemption price due on any date with respect to particular Bonds are to be set aside, pending such payment, and held in trust by the Trustee for the Bondholders entitled to such payment. For the purposes of the Indenture such interest, premium, principal or redemption price, after the due date of payment, will no longer be considered to be unpaid.

Nonpresentment of Bonds

In the event any Bond is not presented for payment when the principal of such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such Bond have been deposited with the Trustee for the benefit of the owner of the Bond and have remained unclaimed for two years after such principal has become due and payable, such amounts, to the extent amounts are owed to the Credit Provider as set forth in a written statement of the Credit Provider addressed to the Trustee, are to be paid to the Credit Provider, with any excess to be paid to the Borrower. Upon such payment, all liability of the Issuer and the Trustee to the holder of any Bond for the payment of such Bond will cease and be completely discharged. The obligation of the Trustee under the terms of the Indenture described in this paragraph to pay any such amounts to the Credit Provider or the Borrower will be subject to any provisions of law applicable to the Trustee or to such amounts providing other requirements for disposition of unclaimed property.

Disposition of Remaining Moneys

Provided that the rebate requirements referenced in the Tax Certificate are first satisfied, any amounts remaining in the Revenue Fund, the Loan Fund, the Bond Purchase Fund or the Principal Reserve Fund after payment in full of the principal of and interest and any premium on the Bonds will be applied to pay (i) first, to the Credit Provider any unpaid amounts certified by the Credit Provider to be due and owing to the Credit Provider, (ii) second, to the person or persons entitled to be paid, all other unpaid amounts required to be paid under the Indenture or the Financing Agreement, and (iii) third, to the Borrower the balance upon the expiration or sooner cancellation or termination of the term of the Financing Agreement as provided in the Financing Agreement.

Revenue Fund; Pledged Tax Increment Account

(a) Deposits into the Pledged Tax Increment Account. The Trustee will deposit into the Pledged Tax Increment Account all amounts transferred to the Trustee pursuant to the provisions of the Owner Participation Agreement. No other moneys will be deposited into the Pledged Tax Increment Account and the Pledged Tax Increment Account will be maintained as a segregated account and moneys in it will not be commingled with any other moneys held under the Indenture. The Pledged Tax Increment Account will be closed at such time as the Owner Participation Agreement is terminated.

(b) Transfers from the Pledged Tax Increment Account. So long as a Wrongful Dishonor has not occurred, or if occurred is not continuing, the Trustee will cause amounts deposited into the Pledged Tax Increment Account to be disbursed upon receipt by the Trustee of and as otherwise provided in any requisition submitted by the Bank, prior to the Conversion Date, or the Loan Servicer, on and after the Conversion Date which identifies the amount to be withdrawn from such account and the purpose of the withdrawal.

Investment Limitations

Moneys held as part of any Fund or Account are to be invested and reinvested in Permitted Investments. Permitted Investments are to have maturities corresponding to, or will be available for withdrawal without penalty no later than, the dates upon which such moneys will be needed for the purpose for which such moneys are held. Moneys on deposit in the (i) Interest Account are to be invested only in investments described in paragraphs (a), (b), (c) and (h) of the definition of Permitted Investments, (ii) Redemption Account will be invested only in investments described in paragraph (a) of the definition of Permitted Investments, with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that such moneys are anticipated to be required for redemption, (iii) Credit Facility Account and Bond Purchase Fund are to be held uninvested and (iv) Costs of Issuance Fund, until disbursed or returned to the Borrower pursuant to the Indenture, are to be invested only in investments described in paragraph (h) of the definition of Permitted Investments. Permitted Investments are to be held by or under the control of the Trustee. Subject to the provisions above, the Borrower may select all Permitted Investments by written direction to the Trustee; but if the Borrower fails to provide direction to the Trustee, the Trustee will invest such moneys in investments described in paragraph (h) of the definition of Permitted Investments or, in the case of the Redemption Account, in investments described in paragraph (a) of the definition of Permitted Investments, or, in the case of the Credit Facility Account and the Bond Purchase Fund, will hold the moneys uninvested. Investment Income from moneys held in the Loan Fund, the Rebate Fund, the Costs of Issuance Fund and the Principal Reserve Fund will remain in the respective Fund where earned. All other Investment Income from moneys held in all other Funds and Accounts, upon receipt, will be deposited into the Interest Account.

Limitations on Liability

Notwithstanding any other provision of the Indenture to the contrary:

(a) The obligations of the Issuer with respect to the Bonds are not general obligations of the Issuer but are special, limited obligations of the Issuer payable by the Issuer solely from the Security;

(b) Nothing contained in the Bonds or in the Indenture is to be considered as assigning or pledging any funds or assets of the Issuer other than the Trust Estate;

(c) The Bonds are not and will not be a debt of the State, the Issuer (except to the limited extent provided in the Indenture) or of any other political subdivision of the State, and none of the State, the Issuer (except to the limited extent provided in the Indenture) or any other political subdivision of the State is or will be liable for the payment of the Bonds;

(d) Neither the faith and credit of the Issuer, the State nor of any other political subdivision of the State are pledged to the payment of the principal of and interest and any premium on the Bonds;

(e) No failure of the Issuer to comply with any term, condition, covenant or agreement in the Indenture or in any document executed by the Issuer in connection with the Project, or the issuance,

reoffering and delivery of the Bonds will subject the Issuer to liability for any claim for damages, costs or other charges except to the extent that the same can be paid or recovered from the Trust Estate;

(f) The Issuer will not be required to advance any moneys derived from any source other than the Trust Estate for any of the purposes of the Indenture, any of the other Bond Documents or any of the Loan Documents, whether for the payment of the principal or redemption price of, or interest on, the Bonds, the payment of Third Party Fees, Fees and Expenses or administrative expenses or otherwise; and

(g) Neither the members of the Issuer nor any person executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

The Credit Facility

Acceptance of the Credit Facility. The Trustee is to hold the Credit Facility and is to enforce in its name all rights of the Trustee and all obligations of the Credit Provider under the Credit Facility for the benefit of the Bondholders. The Trustee is not to assign or transfer the Credit Facility except (i) to a successor Trustee under the Indenture, (ii) to the Credit Provider upon expiration or other termination of the Credit Facility in accordance with its terms, including expiration on its stated expiration date or (iii) upon payment under the Credit Facility of the full amount payable under the Credit Facility. The Issuer and the Trustee acknowledge in the Indenture that the obligations of Fannie Mae as the Credit Provider under the Fannie Mae Credit Facility are not backed by the full faith and credit of the United States of America, but by the credit of Fannie Mae, a federally-chartered, stockholder owned corporation.

Draws and Requests for Advances under the Credit Facility. The Trustee, prior to the Conversion Date and from and after the Transition Date, is to draw on the Letter of Credit, or, on and after the Conversion Date, is to request Advances under the Fannie Mae Credit Facility, or, if an Alternate Credit Facility is in effect, is to draw on the Alternate Credit Facility, in each case for the payment of principal of and interest due on any Bond and the purchase price of any Bond to the extent required by the Indenture or, from and after the Conversion Date, any payment of the Issuer's Fee that is due and not paid by the Borrower pursuant to the Financing Agreement and in accordance with the terms of the Credit Facility then in effect, and cause the proceeds of each Draw or Advance, as applicable, to be applied so that full and timely payments are made on each date on which payment of principal, interest or purchase price is due on any Bond or, from and after the Conversion Date, any payment of the Issuer's Fee is due and not paid by the Borrower pursuant to the Financing Agreement. The Trustee is not to request, and is not to apply the proceeds of, any Draw or Advance, as applicable, to pay (i) principal of, interest on, or the purchase price of, any Pledged Bond or any Bond known by the Trustee to be held by the Borrower or any Affiliate of the Borrower, (ii) premium that may be payable upon the redemption of any of the Bonds or (iii) interest that may accrue on any of the Bonds on or after the maturity of such Bonds. Prior to making a Draw or requesting an Advance, as applicable, to pay principal of or interest on the Bonds on an Interest Payment Date, the Trustee is to determine the amount necessary to make such payment of principal or interest. Notwithstanding any other provision of the Indenture to the contrary, so long as a Credit Facility is in effect (i) interest payable to the Bondholders on each Interest Payment Date, and principal payable to the Bondholders on any date on which principal is payable to the Bondholders, whether by reason of redemption, upon maturity, acceleration, or otherwise, are to be paid from the proceeds of the Credit Facility deposited into the Credit Facility Account, prior to the use of any other moneys, and all amounts held by the Trustee under the Indenture derived from payments made by the Borrower under the Note will, on the date on which the Trustee receives payment under the Credit Facility, as the case may be, be paid to the Credit Provider on such date in reimbursement of the amounts so paid and (ii) premium payable upon any optional redemption of Bonds will be paid with Available Moneys, provided that in no event will amounts be paid under the Credit Facility to pay the premium on any Bond or

principal, interest, premium or any other amount in respect of any Pledged Bond or any Bond known by the Trustee to be held by the Borrower or any Affiliate of the Borrower.

Return of Payments under the Credit Facility. In the event the Trustee receives a Draw or an Advance, as applicable, from the Credit Provider on account of any Tendered Bond and thereafter the Trustee receives remarketing proceeds upon the remarketing of such Tendered Bond, then the Trustee is to promptly reimburse the Credit Provider with such funds to the extent of the amount so paid by the Credit Provider as a reimbursement on behalf of the Borrower.

Alternate Credit Facility

Subject to the terms of the Credit Facility Documents, the Trustee is to accept any Alternate Credit Facility delivered to the Trustee in substitution for the Credit Facility then in effect if:

- (a) the Alternate Credit Facility meets the requirements of the Indenture;
- (b) the Substitution Date for the Alternate Credit Facility is an Interest Payment Date during a Weekly Variable Rate Period, Daily Variable Rate Period or an Adjustment Date which immediately follows a Reset Period;
- (c) the Alternate Credit Facility is effective on and from the Substitution Date for such Alternate Credit Facility; and
- (d) the Trustee receives on or prior to the effective date of the Alternate Credit Facility (i) an Opinion of Counsel to the Credit Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility and its enforceability and (ii) an opinion of Bond Counsel to the effect that the substitution of such Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds.

The Trustee is to give notice to the Bondholders by first class mail, postage prepaid, of the substitution by such Alternate Credit Facility for the Credit Facility then in effect as provided in the Indenture. On the Substitution Date, the Trustee will, if necessary, draw on or request an Advance on the Credit Facility being replaced and will not surrender such Credit Facility until all requests thereon have been honored.

Extension of Credit Facility

In the event the term of the Letter of Credit or the term of any Alternate Credit Facility is extended, the Trustee must receive, not later than the Extension Date, (i) either a commitment to extend the Letter of Credit or Alternate Credit Facility or other written evidence of the extension of the Letter of Credit or Alternate Credit Facility and (ii) an Opinion of Counsel for the Credit Provider (of the Letter of Credit or Alternate Credit Facility), in substantially the form of the Opinion of Counsel delivered to the Trustee upon the issuance of the Letter of Credit or Alternate Credit Facility. The Trustee will provide a copy of any commitment to extend and the actual extension of the Letter of Credit or Alternate Credit Facility upon receipt thereof to the Rating Agency and Remarketing Agent and, upon request, to any Bondholder. Upon the failure of the Borrower to furnish the Trustee with the actual extension of the Letter of Credit or Alternate Credit Facility or a binding commitment to extend the Letter of Credit or Alternate Credit Facility or an Alternate Credit Facility pursuant to the Indenture and the accompanying Opinion of Counsel on or prior to each Extension Date, the Bonds will be subject to mandatory tender pursuant to the Indenture.

Limitations on Rights of Credit Provider

Notwithstanding anything contained in the Indenture to the contrary, all provisions in the Indenture regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider are to be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and are to be read as if the Credit Provider were not mentioned in such provisions (i) if a Wrongful Dishonor has occurred and is continuing, or (ii) after the Credit Facility ceases to be valid and binding on the Credit Provider for any reason, or is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the Credit Provider's right to notices and the payment of amounts due to the Credit Provider are to continue in full force and effect. The foregoing will not affect any other rights of the Credit Provider.

Terms and Conditions of the Initial Letter of Credit

Delivery. The Borrower has agreed, upon the initial authentication and delivery of the Bonds, to arrange for the delivery of the Letter of Credit by the Bank to, and in favor of, the Trustee, for the benefit of the Bondholders. The Letter of Credit will secure the Bonds in accordance with its terms only so long as the Mode in effect for the Bonds is the Weekly Variable Rate or Daily Variable Rate.

Draws. So long as the Letter of Credit is in effect the Trustee is to make timely Draws in accordance with the Letter of Credit such that (i) timely payment of principal and interest is made on the Bonds (other than Pledged Bonds) as required by the Indenture and (ii) timely payment of the purchase price of Tendered Bonds (other than Pledged Bonds) that have not been remarketed is made under the provisions of the Indenture governing purchase and remarketing of the Bonds. The Trustee is to make such Draws in such fashion as to be able to obtain on the applicable payment date, such funds to the extent necessary to permit the Trustee or the Tender Agent, as the case may be, to make such payment when due in accordance with the Indenture. If any such Draws are made on a Mandatory Tender Date in connection with the delivery of an Alternate Credit Facility, such Draws are to be made upon the Letter of Credit and not on the Alternate Credit Facility. The Trustee is to advise the Borrower by telecopy or telex on the date of each Draw on the Letter of Credit of the amount and date of such Draw and of the reason for such Draw.

Extension. For any extension of the term of the Letter of Credit, the Trustee, at the direction of an Authorized Bank Representative, but only if required to evidence an extension of the term of the Letter of Credit, is to surrender the Letter of Credit to the Bank in exchange for a new letter of credit or the Letter of Credit with notations on it, as the Bank may so elect, conforming in all material respects to the Letter of Credit, but with the extended expiration date. Any such extension is to be for a period of at least three months or, if less, until the fifteenth day following the Termination Date, as the same may be extended.

Pledged Bonds and Bonds Held by Borrower. No draws are to be made by the Trustee under the Letter of Credit for payment of any Pledged Bond or Bond known by the Trustee to be held by the Borrower or any Affiliate of the Borrower.

Draw Requirement. The Trustee is not to terminate or surrender the Letter of Credit until the Trustee has made such Draw(s), if any, required under the Indenture to provide for payment in full of the principal of and interest on the Bonds, and has received the proceeds of such Draw(s) from the Bank.

Beneficiary of Letter of Credit. The Trustee will have the obligation to hold and maintain the Letter of Credit for the benefit of the Owners of the Bonds until the Letter of Credit terminates or expires in accordance with its terms.

Surrender of Letter of Credit. When the Letter of Credit terminates or expires in accordance with its terms, the Trustee is to immediately surrender it to the Bank. The Trustee agrees in the Indenture that, except in the case of a redemption of Bonds in part or any other reduction in the principal amount of Bonds Outstanding, it will not under any circumstances request that the Bank reduce the amount of the Letter of Credit. If at any time all Bonds cease to be Outstanding, the Trustee is to surrender the Letter of Credit to the Bank in accordance with its terms.

Wrongful Dishonor

Upon a Wrongful Dishonor, the Trustee is to give immediate telephonic notice of such dishonor to the Remarketing Agent, the Issuer, the Borrower, and the Credit Provider and, prior to the Conversion Date, also to Fannie Mae and the Loan Servicer.

Discharge of Lien and Security Interest

Discharge. Upon satisfaction of the conditions of the Indenture described in the following paragraph, the Trustee will (i) cancel and discharge the Indenture and the pledge and assignment of the Security, (ii) execute and deliver to the Issuer such instruments in writing prepared by the Issuer or its counsel and provided to the Trustee and the Credit Provider as may be required to cancel and discharge the Indenture and the pledge and assignment of the Trust Estate, (iii) reconvey, assign and deliver to the Issuer so much of the Trust Estate as may be in its possession or subject to its control (except for (A) moneys and Government Obligations held for the purpose of paying Bonds and (B) moneys and Investments held in the Rebate Fund for payment to the United States Government) who will, in turn, convey, assign and deliver the remaining Trust Estate to the Borrower, and (iv) return the Credit Facility to the Credit Provider.

Conditions to Discharge. The conditions precedent to the cancellation and discharge of the Indenture and the other acts described in the immediately preceding paragraph are (i) payment in full of the Bonds, (ii) payment of the Trustee's Annual Fee and the Trustee's ordinary costs and expenses under the Indenture, (iii) receipt by the Trustee of a written statement from the Credit Provider stating that all obligations owed to the Credit Provider under the Credit Facility Documents have been fully paid, (iv) payment of all Extraordinary Items, (v) receipt by the Trustee of a written statement from the Issuer stating that all amounts owed to the Issuer in respect of Reserved Rights have been fully paid and (vi) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, stating that all conditions precedent to the satisfaction and discharge of the Indenture have been satisfied.

Survival of Rights and Powers. The Reserved Rights of the Issuer and the rights and powers granted to the Trustee with respect to the payment, transfer and exchange of Bonds will survive the cancellation and discharge of the Indenture.

Payment of Outstanding Amounts

If the Bonds are paid in full, but any one or more of the other conditions precedent described above are not satisfied because an amount has not been paid, the Trustee, prior to cancellation and discharge of the Indenture, is to pay to the persons listed below, in the strict order described below, the amounts required to satisfy those conditions precedent:

(a) The Trustee – The Trustee's Annual Fee and Ordinary Costs and Expenses. If any portion of the Trustee's Annual Fee or ordinary costs and expenses of the Trustee remain unpaid, the Trustee is to pay to itself so much of the Trust Estate as will fully pay such unpaid amounts. No Extraordinary Items may be included in such payment.

(b) The Credit Provider. If the Trustee receives a written statement from the Credit Provider stating that moneys are owed to the Credit Provider under the Credit Facility Documents or the Loan Documents, the Trustee is to pay to the Credit Provider so much of the remaining Trust Estate as will fully pay all amounts due and owing to the Credit Provider, as determined by the Credit Provider. The reimbursement from the Trust Estate of amounts provided by the Credit Provider for application to the payment of Remarketing Expenses will be made with interest at a rate equal to (i) prior to the Conversion Date and from and after the Transition Date, the 30-day Libor rate plus two (2) percentage points or (ii) from and after the Conversion Date, the Prime Rate (as that term is defined in the Fannie Mae Reimbursement Agreement) plus two percentage points from and after the Conversion Date, from the date or dates of such advances through the date of such reimbursement. The Trustee is authorized under the Indenture to rely on the written statement of the Credit Provider.

(c) The Trustee – Extraordinary Items. If any Extraordinary Items have not been paid to the Trustee, the Trustee is to pay to itself so much of the remaining Trust Estate as will fully pay all amounts owing to the Trustee for Extraordinary Items.

(d) The Issuer. If the Trustee receives a written statement from the Issuer stating that moneys are owed to the Issuer in respect of the Reserved Rights, the Trustee is to pay to the Issuer so much of the remaining Trust Estate as will fully pay all amounts owing to the Issuer in respect of the Reserved Rights.

Defaults and Remedies

Each of the following constitutes an Event of Default under the Indenture:

(a) default in the payment when due and payable of any interest due on any Bond (other than a Pledged Bond) or, unless the Bank specifies otherwise by written notice to the Trustee, on any Bond purchased in lieu of redemption by the Bank pursuant to the Indenture;

(b) default in the payment when due and payable of (i) the principal of or any redemption premium on any Bond (other than a Pledged Bond) or, unless the Bank specifies otherwise by written notice to the Trustee, Bond purchased in lieu of redemption by the Bank pursuant to the Indenture at maturity or upon any redemption or (ii) the purchase price of any Tendered Bond (other than a Pledged Bond);

(c) written notice to the Trustee from the Credit Provider of a default by the Issuer in the observance or performance of any covenant, agreement, warranty or representation on the part of the Issuer included in the Indenture or in the Bonds (other than an Event of Default described in (a) or (b) above) and the continuance of such default for a period of 30 days after the Trustee receives such notice;

(d) written notice to the Trustee from the Credit Provider of an Event of Default under the Reimbursement Agreement;

(e) written notice to the Trustee from the Credit Provider of an Act of Bankruptcy, with a direction from the Credit Provider that such Event of Default be treated as an Event of Default under the provisions of the Indenture; or

(f) a Wrongful Dishonor.

The Trustee is to immediately notify the Issuer, the Loan Servicer (from and after the Conversion Date), the Borrower and the Credit Provider after the Trustee obtains knowledge or receives notice of the

occurrence of an Event of Default under the Indenture or an event which would become such an Event of Default with the passage of time, the giving of notice or both, identifying the paragraph in the Indenture under which the Event of Default has occurred or may occur.

Non-Default and Prohibition of Mandatory Redemption upon Tax Event. The occurrence of any event (“Tax Event”) which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the Bondholders, including any violation of any provision of the Regulatory Agreement or any of the other Bond Documents, will not (i) directly or indirectly constitute an Event of Default under the Indenture or permit any party (other than the Credit Provider) to accelerate, or require acceleration of, the Loan or the Bonds, unless the Credit Provider provides written notice to the Trustee that such Tax Event constitutes a default under the Reimbursement Agreement, (ii) give rise to a mandatory redemption of the Bonds, or (iii) give rise to the payment to the Bondholders of any amount denoted as “supplemental interest,” “additional interest,” “penalty interest,” “liquidated damages,” “damages” or otherwise in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the Tax Event. No terms of the Indenture described in this paragraph will be deemed to amend or supplement the terms of the Loan Documents. Promptly upon determining that a Tax Event has occurred, the Issuer or the Trustee, by notice in writing to the Credit Provider, the Loan Servicer (from and after the Conversion Date), all Registered Owners of the Bonds and the Remarketing Agent, is to state that a Tax Event has occurred and whether the Tax Event is cured, curable within a reasonable period or incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee will have, upon the occurrence of a Tax Event, any right or obligation to cause or direct acceleration of the Bonds or the Loan, to enforce the Note or to foreclose the Security Instrument, to accept a deed to the Project in lieu of foreclosure, or to effect any other comparable conversion of the Project.

Acceleration, Redemption and Mandatory Tender

Acceleration. Upon:

(a) the occurrence and during the continuance of a Wrongful Dishonor, the Trustee may, and, upon the written request of Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, must, by written notice to the Issuer, the Borrower, the Credit Provider and the Loan Servicer (from and after the Conversion Date), declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of payment immediately due and payable; or

(b) the occurrence of any other Event of Default under the Indenture, the Trustee may, upon receiving the prior written consent of the Credit Provider, and must, upon the written direction of the Credit Provider requiring that the Bonds be accelerated pursuant to this subsection, by written notice to the Issuer, the Borrower, the Credit Provider and the Loan Servicer (from and after the Conversion Date), declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of declaration immediately due and payable.

Redemption and Mandatory Tender. Upon the occurrence of an Event of Default as a result of an event of default under the Reimbursement Agreement:

(a) if the Credit Provider so directs pursuant to the Indenture, the Bonds will be redeemed in whole or in part in the amount specified by and at the direction of the Credit Provider.

(b) if the Credit Provider so directs pursuant to the Indenture, the Bonds will be subject to mandatory tender.

(c) Notwithstanding anything to the contrary in the Indenture, if the Credit Provider directs that the Bonds be redeemed in part pursuant to the Indenture, the Credit Provider may further direct on one or more other occasions under this subsection that the Bonds be redeemed in whole or in part or that the Bonds be subject to mandatory tender.

Notice

Acceleration. Upon any decision to accelerate payment of the Bonds, the Trustee will notify the Bondholders of the declaration of acceleration, that, in the event of acceleration as described in subparagraph (b) above under the subheading “Acceleration,” interest on the Bonds will cease to accrue upon such declaration, and payment of the Bonds will be made upon presentment of the Bonds at the Designated Office of the Trustee. Such notice will be sent by registered mail or overnight delivery service, postage prepaid, or, at the Trustee’s option, may be given by Electronic Means to each Registered Owner of Bonds at such Registered Owner’s last address appearing in the Bond Register. Any defect in or failure to give notice of such declaration will not affect the validity of such declaration.

Redemption. Upon the direction of the Credit Provider to redeem the Bonds in whole or in part pursuant the Indenture and as provided in the Indenture, immediate notice of redemption will be given.

Mandatory Tender. Upon any direction of the Credit Provider that the Bonds be subject to mandatory tender, the Trustee will give notice to the Bondholders as provided in the Indenture.

Payment Under Credit Facility. Immediately upon acceleration, mandatory redemption or mandatory tender of the Bonds, the Trustee is to draw on the Letter of Credit, request an Advance under the Fannie Mae Credit Facility, or Draw on the Alternate Credit Facility then in effect, as applicable, in accordance with its terms.

Other Remedies

Upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee may, with or without taking action under the terms of the Indenture governing acceleration of the Bonds (as described under the heading “Acceleration” above), but only with the prior written consent of the Credit Provider, and must at the direction of the Credit Provider if the Event of Default occurs under the Indenture as described in paragraphs (c), (d) or (e) under the heading “Events of Default” above, pursue any of the following remedies:

(a) an action in mandamus or other suit, action or proceeding at law or in equity (A) to enforce the payment of the principal of and interest and any premium on the Bonds, (B) for the specific performance of any covenant or agreement contained in the Indenture, the Financing Agreement or the Regulatory Agreement or (C) to require the Issuer to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) the liquidation of the Trust Estate; or

(c) an action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the Issuer allowed in any bankruptcy or other proceeding.

Subject to the provisions of the Indenture governing rights of the Credit Provider and the Bondholders to direct proceedings and the requirement, if any, that the Credit Provider consent in writing to the exercise by the Trustee of any remedy, upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee is to exercise such of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most effective to enforce and protect the interests of the Bondholders and, unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider.

Waiver

Subject to the conditions precedent described below, (i) the Trustee may waive, (ii) the Trustee will waive if directed to do so by the Credit Provider in writing, and (iii) Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding may waive, by written notice to the Trustee, any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of maturity of principal. The conditions precedent to any waiver are:

(a) unless waiver is directed by the Credit Provider, the Credit Provider must consent to such waiver in writing;

(b) the principal and interest on the Bonds in arrears, together with interest thereon (to the extent permitted by law) at the applicable rate or rates of interest borne by the Bonds has been paid or provided for by the Borrower in Available Moneys or by the Credit Provider and all fees and expenses of the Trustee have been paid or provided for by the Borrower or the Credit Provider; and

(c) after the waiver, the Credit Facility remains in effect in an amount equal to the aggregate principal amount of the Bonds Outstanding (other than Pledged Bonds) plus the Interest Requirement, provided, however, that such waiver will be permitted without the Credit Facility remaining in effect if (i) the Issuer consents to the waiver, (ii) the Rating Agency then rating the Bonds is notified and the Trustee gives written notice to the Bondholders that the ratings on the Bonds may be reduced or withdrawn upon the occurrence of such waiver, and (iii) 100% of the Bondholders consent to the waiver.

Upon any such waiver, the default or Event of Default will be deemed cured and will cease to exist for all purposes and the Issuer, the Borrower, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture. No waiver of any default or Event of Default will extend to or affect any subsequent default or Event of Default or will impair any right or remedy consequent thereto.

Rights of the Credit Provider and the Bondholders to Direct Proceedings

Notwithstanding anything contained in the Indenture to the contrary, the Credit Provider itself or Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider, will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, provided, however, that such direction will not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee will be indemnified to its reasonable satisfaction (except for actions required under the provisions of the Indenture governing acceleration of the Bonds).

No Bondholder has or will have the right to enforce the provisions of the Indenture or the Financing Agreement, or to institute any proceeding in equity or at law for the enforcement of the Indenture or the Financing Agreement, or to take any action with respect to an Event of Default under the

Indenture or an Event of Default under the Financing Agreement, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture or the Financing Agreement upon an Event of Default unless (i) such Event of Default is a Wrongful Dishonor, (ii) such Bondholder has given the Trustee, the Issuer, the Credit Provider, the Loan Servicer (from and after the Conversion Date) and the Borrower written notice of the Event of Default, (iii) the holders of not less than 51% in aggregate principal amount of Bonds then Outstanding have requested the Trustee in writing to institute such proceeding, (iv) the Trustee has been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (v) the Trustee has been offered reasonable indemnity, where required, and (vi) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder has or will have any right in any manner whatever to affect, disturb or prejudice the pledge of revenues or of any other moneys, Funds, Accounts or securities under the Indenture. Except as described in this paragraph, no Bondholder has or will have under the Indenture the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

Application of Moneys

Amounts derived from payments under the Credit Facility (other than amounts derived from an Advance under the Fannie Mae Credit Facility to pay the Issuer's Fee) are to be deposited into the Credit Facility Account and applied solely to pay the principal of and interest on the Bonds. Amounts on deposit in the Bond Purchase Fund are to be applied solely to pay the purchase price of the Bonds. All other moneys received by the Trustee pursuant to any action taken under the terms of the Indenture governing Events of Default under the Indenture and remedies therefor, subject to the provisions of the Indenture governing the application of certain moneys at the direction of the Credit Provider (as described herein under the heading "Certain Moneys to be Applied at the Direction of the Credit Provider"), are to be deposited into the Interest Account and the Redemption Account, as applicable, after payment of the ordinary costs and expenses of the Trustee. The balance of such moneys, less such amounts as the Trustee determines may be needed for possible use in paying future fees and expenses and for the preservation and management of the Project (as identified by the Credit Provider), are to be applied as described in the following paragraphs.

Unless the principal on all Bonds has become or been declared due and payable, all such moneys are to be applied:

First - to the payment of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available is not sufficient to pay in full said amount, then to the payment ratably, of the amounts due on such payment, without any discrimination or privilege;

Second - to the payment of the unpaid principal of any of the Bonds which have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the Indenture), in the order of due dates, with interest upon the principal amount of the Bonds from the respective dates upon which they become due at the rate or rates borne by the Bonds, to the extent permitted by law, and, if the amount available is not sufficient to pay in full the principal of such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled to such payment without any discrimination or privilege; and

Third - to the payment of amounts owed to the Credit Provider under the Credit Facility Documents and the Loan Documents, and then to any amounts due to the Trustee for Extraordinary Items, for this purpose including the costs and expenses of any proceedings resulting in the collection of such moneys and of advances incurred or made by the Trustee.

If the principal of all the Bonds has become or been declared due and payable, all such moneys are to be applied first, to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest to the persons entitled to payment, until all such principal and interest has been paid; second, to pay the Credit Provider amounts owed to it under the Credit Facility Documents and the Loan Documents; and third, to any other amounts due and payable under the Indenture.

Whenever moneys are to be applied pursuant to the terms of the Indenture described herein under the heading "Application of Moneys," such moneys are to be applied at such times, and from time to time, as the Trustee determines, having due regard for the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the Trustee by the Indenture. Whenever the Trustee applies such moneys, it is to fix the date (which will be an Interest Payment Date unless it deems an earlier date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date will cease to accrue unless interest has already ceased to accrue in accordance with the Indenture. The Trustee is to give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

The Trustee

The Trustee is appointed and agrees to act in such capacity and to perform the duties of the Trustee under the Indenture, the Financing Agreement, the Assignment and the Regulatory Agreement upon the express terms and conditions of the Indenture.

Qualification. The Trustee and any successor Trustee will at all times be a bank or trust company organized under the laws of the United States of America or any state, authorized under such laws to exercise corporate trust powers, having a combined capital stock, surplus and undivided profits of at least \$50,000,000 (or an affiliate of a corporation or banking association meeting that requirement which guarantees the obligations and liabilities of the Trustee) and subject to supervision or examination by federal or state banking authority.

Resignation or Removal of Trustee. The Trustee may resign only upon giving 60 days prior written notice to the Issuer, the Credit Provider, the Loan Servicer (from and after the Conversion Date), the Borrower and to each Registered Owner of Bonds then Outstanding as shown on the Bond Register. The Trustee may be removed at any time upon 30 days prior written notice to the Trustee, (i) by the Issuer, (ii) by the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, which written instrument will designate a successor Trustee approved by the Credit Provider, or (iii) by the Credit Provider. Such resignation or removal will not be effective until a successor Trustee satisfying the requirements of the Indenture is appointed and has accepted its appointment.

Appointment of Successor Trustee. Upon the resignation or removal of the Trustee, a successor Trustee, satisfying the requirements of the Indenture, is to be appointed by the Borrower with the prior written consent of the Issuer and the Credit Provider (unless appointed by the Bondholders as provided in the Indenture), provided, however, that if the Borrower is then in default under any Bond Document or any Loan Document or if an event has occurred and is continuing which, with notice or the passage of time or both, would constitute such a default, such appointment will be made by the Issuer with the prior written consent of the Credit Provider; provided, however, that if such consents or other correspondence

from the Credit Provider with respect thereto are not received by the Issuer within 15 Business Days after receipt by the Credit Provider of the written notice of the proposed successor Trustee, such consent of the Credit Provider will be deemed to have been given. If, in the case of resignation or removal of the Trustee, no successor is appointed within 30 days after the notice of resignation or within 30 days after removal, as the case may be, then, in the case of a resignation, the resigning Trustee is to appoint a successor with the prior written consent of the Issuer and the Credit Provider or is to apply to a court of competent jurisdiction for the appointment of a successor Trustee and, in the case of a removal, the Credit Provider, with the consent of the Issuer, will have the right to appoint a successor Trustee or to apply to a court of competent jurisdiction for the appointment of a successor Trustee. The successor Trustee must accept in writing its duties and responsibilities under the Indenture, the Financing Agreement, the Assignment and the Regulatory Agreement. The successor Trustee will give notice of such succession by first-class mail, postage prepaid, to each Bondholder, the Issuer, the Credit Provider, the Loan Servicer (from and after the Conversion Date) and the Borrower.

Appointment of Co-Trustees. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Project is located, the Issuer (at the request of the Borrower, unless the Borrower is then in default under any Bond Document or any Loan Document or if an event has occurred and is continuing which, with notice or the passage of time or both, would constitute such a default) will have the power, subject to the approval of the Credit Provider, to appoint one or more persons approved by the Trustee either to act as co-trustee jointly with the Trustee or as separate trustee of all or any part of the Project, and to vest in such person, in such capacity, such title to the Project or any part of it, and/or such rights, powers, duties, trusts or obligations as the Issuer and the Trustee may consider necessary or desirable. If the Issuer is in default under the Indenture, the Trustee alone will have the power to make such appointment with the prior written consent of the Credit Provider. The Issuer is to execute, acknowledge and deliver all such instruments as may be required by any such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts, duties and obligations to such co-trustee or separate trustee. Any co-trustee will give prompt written notice of such appointment to the Loan Servicer. From and after the Conversion Date, any co-trustee is to give prompt written notice to the Loan Servicer of its appointment as co-trustee.

In case any co-trustee or separate trustee dies, becomes incapable of acting, resigns or is removed, the pledge and assignment of the Security and all rights, powers, trusts, duties and obligations of the co-trustee or separate trustee, so far as permitted by law, will vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee is appointed in the same manner as described in the immediately preceding paragraph.

No co-trustee or separate trustee may assume its duties under the Indenture without the prior written approval of the Issuer, unless the Issuer is in default under the Indenture or has failed to respond timely as otherwise provided in the Indenture.

The Tender Agent

The initial Tender Agent is Wells Fargo Bank, National Association. The Tender Agent is to designate to the Trustee, the Issuer, the Remarketing Agent and the Credit Provider its Designated Office and signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument of acceptance delivered to the Trustee under which such Tender Agent will agree particularly to:

(a) act as agent for the Trustee for the purpose of authenticating, accepting delivery of and delivering Bonds in accordance with the provisions of the Indenture relating to authentication and delivery of Bonds;

(b) forward to the Trustee immediately after completion of such authentication the names, addresses, taxpayer identification numbers or social security numbers of all persons in whose names the Bonds are to be registered;

(c) deliver authenticated and registered Bonds to or to the order of the persons in whose names such Bonds are registered;

(d) as agent for the Trustee, hold all moneys delivered to it for the purchase of Bonds in trust in the Bond Purchase Fund for the account of the person who delivered such moneys until the Bonds purchased with such moneys have been registered, authenticated and delivered to or to the order of such person; and

(e) hold all Bonds delivered to it for purchase in trust for the owner of such Bonds until such owner has received the purchase price for such Bonds.

The Tender Agent is to be entitled to the same protections, immunities and limitations from liability afforded the Trustee under the Indenture. The Issuer is to cooperate with the Trustee, the Borrower and the Credit Provider to cause the necessary arrangements to be made and to be continued by which amounts from the sources specified in the Indenture and in the Financing Agreement are to be made available for the purchase of Bonds presented at the Designated Office of the Tender Agent, and by which Bonds, executed by the Issuer and to be authenticated by the Tender Agent, are to be made available to the Tender Agent to the extent necessary for delivery pursuant to the terms of the Indenture.

Resignation or Removal of Tender Agent. The Tender Agent may resign by giving no less than 30 days prior written notice to the Borrower, the Trustee, the Credit Provider, the Loan Servicer (from and after the Conversion Date) and the Issuer. The Tender Agent may be removed by the Issuer with the written approval of the Credit Provider, by an instrument signed by the Issuer stating the reason for such removal filed with the Tender Agent, the Trustee, the Credit Provider and the Issuer. The Trustee or the Credit Provider is authorized under the Indenture, with the prior written approval of the Issuer and the Credit Provider or the Trustee, as applicable, to remove the Tender Agent and appoint a successor. No removal of the Tender Agent will be effective until a successor Tender Agent has been appointed and has accepted such appointment. Failing such appointment by the Issuer prior to the effective date of the Tender Agent's resignation, the Credit Provider will have the right to appoint a successor Tender Agent acceptable to the Issuer. Any successor Tender Agent is to be a trust company or bank having trust powers and in good standing, within or without the State. The provisions of the Indenture described in this paragraph will apply if the resignation of the Tender Agent is due to the fact that the Tender Agent no longer exists. In no event will the resignation or removal of the Tender Agent take effect prior to the date a successor Tender Agent has been appointed and is serving under the Indenture and the Tender Agent Agreement. The Trustee, when acting as Tender Agent, may transfer the Tender Agent duties to any related affiliate without further act or approval (other than the provision of notice to the Issuer, the Credit Provider, the Borrower and the Remarketing Agent).

Supplemental Indentures; Amendments

Supplemental Indentures Not Requiring Bondholder Consent. The Issuer and the Trustee, without the consent of or notice to any Bondholder, may enter into an indenture or indentures supplemental to the Indenture for one or more of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in the Indenture or in any supplemental indenture;

(b) to amend, modify or supplement the Indenture in any respect if such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;

(c) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the States of the United States;

(e) to appoint a successor trustee, separate trustee or co-trustee, or a separate Tender Agent or Bond Registrar;

(f) to make any change requested by the Credit Provider which is not materially adverse to the interests of the Bondholders, including, but not limited to, provision of a Credit Facility other than or in substitution for the initial Credit Facility, provided that the provision of such other Credit Facility does not adversely affect the rating then in effect for the Bonds;

(g) to make any changes in the Indenture or in the terms of the Bonds necessary or desirable in order to maintain the then existing rating awarded to the Bonds by the Rating Agency or otherwise to comply with requirements of any Rating Agency then rating the Bonds;

(h) to comply with the Code and the regulations and rulings issued with respect to the Code, to the extent determined as necessary in the Opinion of Bond Counsel;

(i) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the provisions of the Indenture governing supplemental indentures requiring Bondholder consent (as described in “Supplemental Indentures Requiring Bondholder Consent” below), (A) if such amendments will take effect on a Mandatory Tender Date following the purchase of Tendered Bonds or (B) if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture; and

(j) to change any of the time periods for provision of notice relating to the remarketing of Bonds or the determination of the interest rate on the Bonds.

If the Trustee has received written confirmation from the Rating Agency to the effect that such supplemental indenture will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds and all conditions precedent in the Indenture have been satisfied, the Trustee is to join the Issuer in the execution of any such supplemental indenture. The Trustee is to promptly furnish a copy of any such supplemental indenture to the Credit Provider, the Remarketing Agent, the Tender Agent, the Loan Servicer (from and after the Conversion Date) and the Borrower.

Supplemental Indentures Requiring Bondholder Consent. The Issuer and the Trustee may, with the consent of Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, from time to time, execute indentures supplemental to the Indenture for the purpose of modifying, amending any of the provisions of the Indenture provided, however, that no terms of the

Indenture described under this heading “Supplemental Indentures Requiring Bondholder Consent” permits, or is to be construed as permitting:

- (a) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owner of such Bond;
- (b) a reduction in the principal amount of, or the rate of interest on, any Bond, without the consent of the owner of such Bond;
- (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the owners of all such Bonds;
- (d) the creation of a lien prior to or on parity with the lien of the Indenture, without the consent of the owners of all of the Bonds then Outstanding;
- (e) a change in the percentage of Bondholders necessary to waive an Event of Default under the Indenture or otherwise approve matters requiring Bondholder approval under the Indenture, including consent to any supplemental indenture, without the consent of the owners of all the Bonds then Outstanding;
- (f) a transfer, assignment or release of the Credit Facility (or modification of the provisions of the Indenture governing such transfer, assignment or release), other than as permitted by the Indenture or the Credit Facility, without the consent of the owners of all of the Bonds then Outstanding;
- (g) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, without the consent of the holders of all of the Bonds then Outstanding;
- (h) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture, without the consent of the holders of all of the Bonds then Outstanding; or
- (i) the amendment of the provisions of the Indenture described under this heading “Supplemental Indentures Requiring Bondholder Consent,” without the consent of the holders of all of the Bonds then Outstanding.

The Trustee is to promptly furnish a copy of any such supplemental indenture to the Credit Provider, the Remarketing Agent, the Tender Agent, the Loan Servicer (from and after the Conversion Date) and the Borrower. Notice of any amendment pursuant to the terms of the Indenture described above is to be given to the Bondholders promptly following the execution of such amendment.

No Bondholder Consent Required for Amendment to Loan Documents

Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone may consent to any amendment to the Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Note is to occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds.

Amendments to the Credit Facility

The Credit Facility may only be amended, supplemented or otherwise changed in accordance with the following:

At the request of the Credit Provider, the Trustee is to exchange the Credit Facility with the Credit Provider then in effect for a new Credit Facility (a “Replacement Credit Facility”) issued by the Credit Provider, provided that there is delivered to the Trustee (i) a written confirmation from the Rating Agency to the effect that such exchange will not adversely affect the rating then in effect for the Bonds and (ii) a written opinion of Bond Counsel to the effect that such exchange will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. No such exchange will require the approval of the Issuer, the Trustee or any of the Bondholders or constitute or require a modification or supplement to the Indenture

Subject to the applicable provisions of the Indenture, the Trustee may consent, without the consent of the owners of the Bonds, to any amendment to the Credit Facility not otherwise addressed in the provisions of the Indenture described in the immediately preceding paragraph. Except otherwise described herein under the heading “Amendments to the Credit Facility,” the Credit Facility may be amended only with the consent of the Trustee and the owners of a majority of all Outstanding Bonds, no amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; provided, however, that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a brief summary of certain provisions of the Financing Agreement that have not been described elsewhere in this Official Statement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Financing Agreement, a copy of which is on file with the Trustee.

The Loan

The Issuer has authorized the issuance of the Bonds in the initial aggregate principal amount of \$49,600,000. The Issuer agrees to make the Loan in the initial principal amount of \$49,600,000 to the Borrower with the Net Bond Proceeds. Upon the issuance and delivery of the Bonds, the Issuer will deliver the Net Bond Proceeds to the Trustee, and the Loan will be deemed made in full upon deposit of the Net Bond Proceeds into the Loan Fund. The Borrower accepts the Loan from the Issuer upon the terms and conditions set forth in the Financing Agreement and the Loan Documents, subject to the Indenture, the Regulatory Agreement and the Assignment. Disbursements will be made from the Loan Fund as provided in the Indenture. The Borrower agrees in the Financing Agreement to apply the proceeds of the Loan to pay the costs of the construction, equipping and permanent financing for the Project.

The Loan will be evidenced by, payable in accordance with, and bear interest at the rates and on the terms provided in, the Note and secured by the Security Instrument.

The Borrower agrees in the Financing Agreement to cause credit enhancement for the Loan or the Bonds and liquidity support for the Bonds to be in effect in the amounts and during the periods as required by the Indenture. From time to time, the Borrower may arrange for the delivery to the Trustee of one or more Alternate Credit Facilities meeting the requirements of the Indenture and the Financing Agreement in substitution for the Credit Facility then in effect.

Prior to the Conversion Date, the Borrower may, upon satisfaction of the conditions set forth in the Indenture, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Letter of Credit, but only if (i) the Alternate Credit Facility, by its terms, has a term expiring no earlier than 60 days following the Outside Conversion Date and (ii) terminates on the Conversion Date upon the Trustee's receipt of the Fannie Mae Credit Facility. Except as described below, on the Conversion Date, the Fannie Mae Credit Facility, and only the Fannie Mae Credit Facility, is to be substituted for the Credit Facility then in effect; provided, however, that Fannie Mae's obligation to provide the Fannie Mae Credit Facility is subject to the satisfaction of all the terms and conditions of the Fannie Mae Commitment and the satisfaction of all of the Conditions to Conversion set forth in the Construction Phase Financing Agreement on or before the Termination Date.

After the earlier of the Conversion Date or the Transition Date, the Borrower may, upon satisfaction of the conditions precedent to the acceptance of an Alternate Credit Facility set forth in the Indenture, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect.

Payment of Fees, Costs and Expenses

The Borrower is to pay when due, without duplication, the fees, expenses and other sums set forth in the Financing Agreement and described under this heading "Payment of Fees, Costs and Expenses."

Fees Due at Closing. The Borrower is to pay or provide for the payment of all Costs of Issuance (including but not limited to the Issuer's fee due on the Closing Date of five (5) basis points of the original principal amount of the Bonds) and the Trustee's acceptance fee, if any, on the Closing Date.

Third Party Fees. The Borrower is to pay the Third Party Fees on a monthly basis. Each monthly payment is to be in an amount equal to the aggregate of all of the Third Party Fees prorated monthly so that the Trustee will have the full amount of each fee available in the Fees Account to pay each Third Party Fee as it falls due without regard to whether any Third Party Fee is payable monthly, annually or on any other periodic basis. The Third Party Fees are as follows:

- (a) The Issuer's Fee which will be payable in the amounts and as otherwise set forth in the Regulatory Agreement.
- (b) The annual continuing trust administration fee of the Trustee equal to the Trustee's Annual Fee.
- (c) The annual continuing fee, if any, of the Tender Agent.
- (d) The continuing fee of the Remarketing Agent for its remarketing services.
- (e) The annual continuing fee of the Rebate Analyst, if any, for its rebate calculation services.

Fees and Expenses. The Borrower is to pay or provide for the payment of the following fees and expenses under the Financing Agreement:

- (a) The annual rating maintenance fee of each Rating Agency.
- (b) The Extraordinary Items.
- (c) All advances, out-of-pocket expenses, costs and other charges of each of the Issuer, the Rebate Analyst, the Remarketing Agent, the Tender Agent and the Trustee incurred from time to time, but only to the extent that any such amounts are payable by the Borrower pursuant to an agreement between the Borrower and such Person regarding its services in connection with the Bonds or the Loan.
- (d) All costs of registering, printing, reprinting, preparing and delivering any replacement bonds required under the Indenture and in connection with the registration, printing, reprinting or transfer of Bonds.
- (e) All fees, costs and expenses of any change in Mode or of any tender, purchase, remarketing or reoffering of any Bonds. The fees, costs and expenses of any tender, purchase, remarketing or reoffering of Bonds must be paid by the Borrower in advance in accordance with the Remarketing Agreement or other agreement relating to the remarketing or reoffering of the Bonds.
- (f) All fees, costs and expenses in connection with Conversion.
- (g) All amounts required to pay to the Issuer all expenses of the Issuer incurred at any time in connection with the financing of the Project or the Bonds, including, without limitation, counsel fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of the Bond Documents, the Borrower Documents or any other documents relating to the Project or the Bonds or in connection with questions or other matters arising under such documents or, in connection with any

similar matter related to the Bonds or the Project, including without limitation, the completion of (or failure to complete) the construction of the Project, any redemption of Bonds prior to maturity or any federal or state tax audit, provided that all payments for expenses will be made by the Borrower to the Issuer or to any payee designated by the Issuer not later than thirty (30) days after receipt of invoices rendered to the Borrower by the Issuer.

The Borrower agrees to timely honor any demand for payment by the Trustee pursuant to the Indenture on account of any insufficiency in the Fees Account.

Borrower's Obligations upon Tender of Bonds. If any Tendered Bond is not remarketed on any Tender Date and a sufficient amount is not available in the Bond Purchase Fund for the purpose of paying the purchase price of such Bond, the Borrower will cause to be paid to the Trustee pursuant to the Credit Facility or otherwise pay by the applicable times provided in the Indenture, an amount equal to the principal amount of all Bonds tendered and not remarketed, together with interest accrued to the Tender Date.

Redemption Premium. The Borrower is to pay all redemption premium, if any, payable with respect to each redemption of any of the Bonds. The Borrower is to make each such payment, or cause such payment to be made, in Available Moneys.

Obligation of the Borrower to Pay Deficiencies. The Borrower is to pay any deficiency resulting from any loss due to a default under any investment in any Fund or Account or a change in value of any investment.

Nature of Borrower's Obligations; Security for the Obligations

To the fullest extent permitted by law, the obligations of the Borrower to make all payments and perform its other obligations under the Financing Agreement will be absolute, unconditional and irrevocable, and will be paid and performed strictly in accordance with the applicable Transaction Documents under all circumstances, including, without limitation, the following circumstances: (i) any invalidity or unenforceability of the Credit Facility or any of the other Transaction Documents; (ii) any amendment or waiver of, or any consent to departure from, the terms of the Credit Facility or any of the other Transaction Documents, any extension of time or other modification of the terms and conditions for any act to be performed in connection with the Credit Facility or any of the other Transaction Documents; (iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Issuer, the Trustee, the Tender Agent, the Credit Provider, the Loan Servicer, the Remarketing Agent or any other Person, whether in connection with any of the Transaction Documents, the Project, or any unrelated transaction; (iv) the surrender or impairment of any security for the performance or observance of any of the agreements or terms of any of the Transaction Documents; (v) defect in title to the Project, any act or circumstance that may constitute failure of consideration, destruction of, damage to or condemnation of the Project, commercial frustration of purpose, or any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, (vi) the breach by the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Credit Provider, the Loan Servicer or any other Person of any of its obligations under any Transaction Document; or (vii) any other circumstance, happening or omission whatsoever, whether or not similar to any of the foregoing.

Except as provided in the last sentence of the immediately following paragraph, the obligations of the Borrower under the Financing Agreement and the obligations of the Borrower under the Regulatory Agreement to pay money, including the obligations of the Borrower with respect to the Reserved Rights, will be (i) general obligations of the Borrower with recourse to the Borrower personally, and (ii) subordinate and junior in priority, right of payment and all other respects to any and all obligations of the

Borrower under the Loan Documents and to the Credit Provider under or in respect of the Credit Facility Documents. No provision of the Financing Agreement described herein under the heading “Nature of Borrower’s Obligations; Security for the Obligations” is to apply to the obligations of the Borrower under any of the Loan Documents. Notwithstanding the foregoing, or anything to the contrary contained in the Financing Agreement, the obligations of the Borrower to the Issuer or any other party under the provisions of the Financing Agreement; and (b) to pay any and all rebate amounts that may be or become owing with respect to the Bonds, will be recourse to the Borrower (subject to any limitations contained in the Transaction Documents), and, except with respect to obligations owing under the Note, not to the Project or any other property encumbered by the Transaction Documents.

All obligations of the Borrower under the Financing Agreement and under the Regulatory Agreement, including the obligations of the Borrower with respect to the Reserved Rights, will not be secured by the Security Instrument and will not constitute a lien on the Project in any manner.

No subsequent owner of the Project (including the Credit Provider as a result of a foreclosure, a deed in lieu of foreclosure or comparable conversion of the Loan) will be liable for any breach or default of any obligation of any prior owner under the Regulatory Agreement or the Financing Agreement, including any payment or indemnification obligation. The owner of the Project at the time any default or breach occurs will remain liable for any and all damages occasioned by such default or breach even after such Person ceases to be the owner. Upon seeking to collect such damages, neither the Issuer nor the Trustee will have recourse against or the right to levy against or otherwise collect on any judgment from the Project.

Obligation of the Borrower to Acquire and Construct the Project

The Borrower is to proceed with reasonable dispatch to complete the acquisition, rehabilitation and equipping of the Project. If amounts on deposit in the Loan Fund are not sufficient to pay the costs of completion, the Borrower is to pay such costs or cause the same to be paid from other sources. By reason of any such payment of costs relating to the Project from sources other than the Loan Fund, the Borrower will not be entitled to any reimbursement from the Issuer, the Trustee, the Credit Provider, the Loan Servicer or the holders of the Bonds in respect of such payment or to any diminution or abatement in the repayment of the Loan. Neither the Issuer nor the Credit Provider will be liable to the Borrower, the holders of the Bonds or any other Person if for any reason the Project is not completed or if the proceeds of the Loan are insufficient to pay all costs of the Project.

Payment of Rebate Amounts

The Borrower will engage a Rebate Analyst to calculate the rebate amount, as required by the Indenture and will provide a copy of each rebate report to the Issuer and the Trustee. The Borrower will promptly pay, or cause to be paid, when due to the United States of America all rebate amounts that may be or become owing with respect to the Bonds (which payment may be made out of any available amounts on deposit in the various Funds and Accounts established under the Indenture or, in the absence of such available amounts, must be paid the Borrower or a general partner of the Borrower out of its own respective fund). For purposes of this section, “Available amounts”, when used with respect to any Fund or Account established under the Indenture, means moneys on deposit in the Fund or Account in excess of the amounts required to be on deposit in the Fund or Account from time to time for the payment of interest, principal or premium, if any, due with respect to the Bonds and Third Party Fees. In the event that the Trustee received written notice from the Borrower, the Loan Servicer, the Issuer or the Credit Provider, that the Borrower has failed to engage a Rebate Analyst, the Trustee in consultation with, and with the approval of, the Credit Provider and the Issuer, will use its best efforts to engage a Rebate Analyst to calculate rebate, provided that a Rebate Analyst can be engaged for amounts which do not

exceed on an annual basis, the moneys that are and will be then available under the Indenture to pay the Rebate Analyst's annual fee, or from other moneys furnished to the Trustee; in no event will the Trustee or the Issuer be required to risk or expend its own moneys to employ a Rebate Analyst.

Events of Default

Events of Default. The occurrence of any one or more of the following events will constitute an Event of Default under the Financing Agreement:

(a) The Borrower fails to pay when due any amount payable by the Borrower under the Financing Agreement.

(b) The Borrower fails to observe or perform any covenant or obligation in the Financing Agreement on its part to be observed or performed for a period of 30 days after receipt of written notice from the Trustee specifying such failure and requesting that it be remedied, provided, however, that if the failure cannot be corrected within such period, it will not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds, and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within 90 days of receipt of notice of such failure.

(c) The Credit Provider provides written notice to the Trustee of an Event of Default under the Financing Agreement by reason of the occurrence of an Event of Default under the Reimbursement Agreement. No Event of Default under the Reimbursement Agreement will constitute a default under the Financing Agreement unless specifically declared to be so by the Credit Provider. The Credit Provider is to make such declaration by written notice to the Trustee.

Remedies upon an Event of Default. Subject to the Assignment, whenever any Event of Default occurs and is continuing under the Financing Agreement, the Issuer may take one or any combination of the following remedial steps:

(a) by written notice to the Borrower, declare all amounts then due and payable on the Note to be immediately due and payable;

(b) exercise any of the rights and remedies provided in the Loan Documents; and

(c) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and afterward to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Financing Agreement.

No Levy or Other Execution against Project. Neither the Issuer nor the Trustee will have any right to levy, execute or enforce any judgment in respect of the Borrower's obligations under the Financing Agreement, including the Reserved Rights, against the Project or any other property of the Borrower which secures the obligations of the Borrower under the Loan or to the Credit Provider under any of the Credit Facility Documents unless the Assigned Rights have automatically transferred to the Trustee pursuant to the Assignment.

Waiver and Annulment. Unless the Credit Provider otherwise consents in writing, neither the Issuer nor the Trustee may waive or annul any Event of Default under the Financing Agreement unless (i) all amounts which would then be payable under the Financing Agreement by the Borrower if such Event

of Default had not occurred and was not continuing are paid by or on behalf of the Borrower, and (ii) the Borrower also performs all other obligations in respect of which it is then in default under the Financing Agreement and pays the reasonable charges and expenses of the Issuer and the Trustee, including reasonable attorneys' fees and expenses paid or incurred in connection with such default. No waiver or annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent on such Event of Default.

No Remedy Exclusive. All rights and remedies provided in the Financing Agreement are cumulative, nonexclusive and in addition to any and all rights and remedies that the Issuer and the Trustee may have or may be given by reason of any law, statute, ordinance or otherwise.

No Waiver. No delay or omission to exercise any right or power accruing upon any Event of Default under the Financing Agreement will impair any such right or power or will be construed to be a waiver of such Event of Default, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

Amendment

No amendment to the Financing Agreement will be binding upon the parties to the Financing Agreement until such amendment is reduced to writing and executed by such parties; provided, however, that no amendment, supplement or other modification to the Financing Agreement or any other Bond Document will be effective without the prior written consent of the following parties (i) prior to the Conversion Date and from and after the Transition Date, the Bank or, if an Alternate Credit Facility is in effect, the Alternate Credit Provider (ii) prior to the Transition Date, Fannie Mae and the Loan Servicer, and (iii) on and after the Conversion Date, at such time as the Fannie Mae Credit Facility is in effect, Fannie Mae, and at such time as an Alternate Credit Facility is in effect, the Alternate Credit Provider, subject in each case to the provisions of the Indenture.

Non-Liability of the Issuer

All obligations of the Issuer under any of the Bond Documents or the Transaction Documents will be limited obligations of the Issuer, payable solely and only from the Trust Estate. No owner or owners of any of the Bonds will ever have the right to compel any exercise of the taxing power of the State or any political subdivision or other public body for the payment of the Bonds, nor to enforce the payment of the Bonds against any property of the State or any such political subdivision or other public body, including the Issuer except as provided in the Indenture. No member, member of the Executive Committee of the Board of Directors, member of the Board of Directors, officer, agent, employee or attorney of the Issuer, including any person executing the Financing Agreement on behalf of the Issuer, will be liable personally under the Financing Agreement or for any reason relating to the issuance of the Bonds. No recourse will be had for the payment of the principal of or the interest on the Bonds, for any claim based on or in respect of the Bonds or based on or in respect of the Financing Agreement, against any member, member of the Executive Committee of the Board of Directors, or member of the Board of Directors, officer, employee or agent, as such, of the Issuer or any successor whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance of the Financing Agreement and as part of the consideration for the issuance of the Bonds, expressly waived and released.

It is recognized that notwithstanding any other provision of the Financing Agreement, and except for the Trust Estate pledged under the Indenture, none of the Borrower, the Trustee, the Credit Provider, the Loan Servicer will look to the Issuer for damages suffered by the Borrower, the Trustee, the Credit Provider, the Loan Servicer or any Bondholder as a result of the Issuer's performance, failure to perform

or insufficient performance of any covenant, undertaking or obligation under the Financing Agreement or any of the other Bond Documents, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason, unless such damages result solely from the gross negligence, willful misconduct, fraud or intentional misrepresentation of the Issuer. Although the Financing Agreement recognizes that such documents will not give rise to any pecuniary liability of the Issuer, nothing contained in the Financing Agreement will be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and which the Issuer has not assigned to the Trustee or any other person.

The Issuer will be entitled to the advice of counsel (who, except as otherwise provided in the Financing Agreement, may be counsel for any Bondholder), and the Issuer will be wholly protected as to action taken or omitted in good faith in reliance on such advice. The Issuer will not be liable for any action (a) taken by it in good faith and reasonably believed by it to be within its discretion or powers under the Financing Agreement, or (b) in good faith omitted to be taken by it because such action was reasonably believed to be beyond its discretion or powers thereunder, or (c) taken by it pursuant to any direction or instruction by which it is governed thereunder, or (d) omitted to be taken by it by reason of the lack of any direction or instruction required for such action; nor will it be responsible for the consequences of any error of judgment reasonably made by it. The Issuer will in no event be liable for the application or misapplication of funds or for other acts or defaults by any Person, except for the negligence or willful misconduct of its own members, agents, officers and employees. When any payment or consent or other action by it is called for, it may defer such action pending receipt of such evidence (if any) as it may require in support thereof. The Issuer will not be required to take any remedial action (other than the giving of notice) unless indemnity in a form acceptable to the Issuer is furnished for any cost or liability to be incurred in connection with such remedial action, other than liability for failure to meet the standards set forth in this section. As provided in the Financing Agreement and in the Indenture, the Issuer will be entitled to reimbursement for its costs reasonably incurred or advances reasonably made, with interest at the rate of 10% per annum, in the exercise of its rights or the performance of its obligations under the Financing Agreement, to the extent that it acts without previously obtaining indemnity. No permissive right or power to act which it may have will be construed as a requirement to act; and no delay in the exercise of a right or power will affect its subsequent exercise of the right or power.

The Issuer may cause the Administrator to perform the obligations of the Issuer under the Financing Agreement, by any agreement of the Administrator to perform such obligations will not relieve the Issuer of its responsibility for the performance thereof. In performing any such obligations under the Financing Agreement, the Administrator and its commissioners, officers, employees and agents will be entitled to the same rights, immunities and limitations of liability as the Issuer and its commissioners, officers, employees and agents.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

The following is a brief summary of certain provisions of the Regulatory Agreement that have not been described elsewhere in this Official Statement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Regulatory Agreement, a copy of which is on file with the Trustee.

Definitions and Interpretation

Terms not otherwise defined in the Regulatory Agreement will have the meaning assigned to them in the Indenture or the Regulatory Agreement. The following terms will have the respective meanings assigned to them in this section unless the context in which they are used clearly requires otherwise:

In connection with the issuance of the Bonds, the Borrower has executed a Regulatory Agreement with respect to the ownership and operation of the Project, which will be effective as of the Closing Date. The Regulatory Agreement contains representations and covenants of the Borrower concerning the acquisition and construction of the Project and the tax-exempt status of the Bonds that must be complied with continuously subsequent to the date of issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes.

“*Adjusted Income*” means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) as calculated in a manner consistent with the method for determination of annual income under Section 8 of the Housing Act in effect as of the Closing Date.

“*Administrator*” means the Issuer, or any substitute administrator appointed by the Issuer as agent of the Issuer in the administration of the Regulatory Agreement.

“*Affiliated Party*” means (a) a person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code, (b) a person who together with the Borrower are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” will be substituted for “at least 80 percent” each place it appears therein), (c) a partnership and each of its partners (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code, and (d) an S corporation and each of its shareholders (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code.

“*Area*” means the Primary Metropolitan Statistical Area in which the Project is located.

“*CDLAC*” means the California Debt Limit Allocation Committee.

“*CDLAC Resolution*” means, collectively, Resolution No. 04-136 adopted by CDLAC on December 15, 2004, each with respect to the Project.

“*Certificate of Continuing Program Compliance*” means the Certificate to be filed, no later than the 15th day of each July during the Qualified Project Period, by the Borrower with the Issuer, the Administrator (if other than the Issuer) and the Trustee pursuant to the Regulatory Agreement, which will

be substantially in the form attached to the Regulatory Agreement, or in such other form as may be provided by the Issuer to the Borrower.

“*City*” means the City of San Bruno, California.

“*Completion Certificate*” means the certificate of completion of the acquisition and construction of the Project required to be delivered to the Issuer and the Trustee by the Borrower pursuant to the Regulatory Agreement.

“*Completion Date*” means the date of the completion of the acquisition and construction of the Project, as that date will be certified as provided in the Regulatory Agreement.

“*County*” means the County of San Mateo, California.

“*Income Certification*” means an Income Computation and Certification in the form attached to the Regulatory Agreement, or in such other form as may be provided by the Issuer to the Borrower.

“*Qualified Project Costs*” means costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) will be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Costs of the Project; and provided further that interest accruing after the date of completion of the Project will not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed or rehabilitated by an Affiliate (whether as a general contractor or a subcontractor), Qualified Project Costs will include only (A) the actual out-of-pocket costs incurred by such Affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliate, and (C) any overhead expenses incurred by the Affiliate which are directly attributable to the work performed on the Project, and will not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the date of a declaration of “official intent” to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) (being July 2, 2004, which is the date the Issuer adopted a resolution indicating such official intent) or the date of issue of the Bonds, and (iv) if the Costs of the Project were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid).

“*Qualified Project Period*” means, with respect to the Project, the period beginning on the first day on which at least 10% of the dwelling units in the Project are first occupied, and ending on the later of the following: (a) the date which is fifteen (15) years after the date on which at least 50% of the units in

the Project are first occupied; or (b) the first date on which no Tax-Exempt private activity bonds with respect to the Project are outstanding; or (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; provided that, unless otherwise amended or modified in accordance with the terms of the Regulatory Agreement, the Qualified Project Period for purposes of the Regulatory Agreement will be 55 years from the Closing Date, as required by CDLAC pursuant to the CDLAC Resolution.

“*Regulations*” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“*Very Low Income Tenant*” means any tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of very low income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as very low income will be fifty percent (50%) of median gross income for the Area with adjustments for family size. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants will not qualify as Very Low Income Tenants. The determination of a tenant’s status as a Very Low Income Tenant will be made by the Borrower upon initial occupancy of a unit in the Project by such tenant, on the basis of an Income Certification executed by the tenant.

“*Very Low Income Units*” means the units in the Project required to be rented, or held available for occupancy by, Very Low Income Tenants pursuant to the Regulatory Agreement.

Qualified Residential Rental Project

The Borrower acknowledges and agrees that a portion of the Project financed with proceeds of the Bonds is to be owned, managed and operated as a “qualified residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of the Regulatory Agreement, the Borrower represents, as of the date thereof, and covenants, warrants and agrees as follows:

(a) The portion of the Project financed with proceeds of the Series Bonds will be acquired, constructed and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the portion of the Project financed with proceeds of the Bonds as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project are and will be similarly constructed units, and each dwelling unit in the Project contains complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park.

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor will the Borrower take any steps in connection with a conversion to

such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the City).

(e) All of the dwelling units in the Project (except as permitted by paragraph (h) under the heading “—Qualified Residential Rental Project” below with respect to units for resident managers or maintenance personnel) will be available for rental during the Qualified Project Period on a continuous basis to members of the general public, on a first-come first-served basis, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Very Low Income Tenants pursuant to the Regulatory Agreement.

(f) The Project site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) The Borrower will not discriminate on the basis of race, creed, color, sex, source of income (e.g. AFDC, SSI), physical disability, age, national origin or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

(h) No dwelling unit in the Project will be occupied by the Borrower or otherwise set aside for resident managers or maintenance personnel. Notwithstanding the foregoing, if the Project contains five or more dwelling units, this paragraph will not be construed to prohibit occupancy of dwelling units by one or more resident managers or maintenance personnel any of whom may be the Borrower; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of dwelling units in the Project.

(i) The Borrower will not sell dwelling units within the Project.

The Issuer elects to have the Project meet the requirements of Section 142(d)(1)(A) of the Code.

Very Low Income Tenants

Pursuant to the requirements of the Code and CDLAC, the Borrower represents, as of the date of the Regulatory Agreement, and warrants and covenants therein as follows:

(a) During the Qualified Project Period, thirty-seven (37) of the dwelling units in the Project will be occupied, or held vacant and available for occupancy by, Very Low Income Tenants. For the purposes of this paragraph, a vacant dwelling unit which was most recently occupied by a Very Low Income Tenant is treated as rented and occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit will be redetermined.

(b) No tenant qualifying as a Very Low Income Tenant will be denied continued occupancy of a dwelling unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Very Low Income Tenants. However, should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Very Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate

occupancy by) a Very Low Income Tenant. Until such next available unit is rented to a Very Low Income Tenant, the former Very Low Income Tenant who has ceased to qualify as such will be deemed to continue to be a Very Low Income Tenant for purposes of the Very Low Income Unit requirements of paragraph (a) above until the rental of an available unit of comparable or smaller size to a tenant who is not a Very Low Income Tenant.

Notwithstanding the foregoing, in the event that a Very Low Income Tenant's Adjusted Income exceeds fifty percent (50%) of median gross income for the Area (but not one hundred forty percent (140%) of the applicable income limit for a Very Low Income Tenant of the same family size), the Borrower may elect to designate another unit as a Very Low Income Unit so long as such other unit qualifies as such or is vacant and will next be rented by a tenant who qualifies as a Very Low Income Tenant.

(c) For the Qualified Project Period, the Borrower will obtain, complete, and maintain on file Income Certifications for each Very Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Very Low Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Very Low Income Tenant, within thirty days before or after the anniversary of such tenant's initial occupancy of a unit in the Project. The Borrower will provide such additional information as may be required in the future by the State of California, by the Issuer, by CDLAC and by the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations.

The Borrower will make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification.

(d) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units, and will permit any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

(e) The Borrower will prepare and submit to the Issuer, the Administrator (if not the same as the Issuer) and the Trustee, on an annual basis no later than the 15th day of each July until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project which were occupied or deemed occupied, pursuant to paragraph (a) above, by Very Low Income Tenants during the preceding year; and (ii) that either (A) no unremedied default has occurred under the Regulatory Agreement, or (B) a default has occurred, in which event the certificate will describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default. During the Qualified Project Period, the Borrower will submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(f) For the Qualified Project Period, all tenant leases or rental agreements will be subordinate to the Regulatory Agreement and the Security Instrument. All leases pertaining to Very Low Income Units will contain clauses, among others, wherein each tenant who occupies a Very Low Income Unit: (i) certifies the accuracy of the statements made in the applicable Income Certification; (ii) agrees that the family income and other eligibility requirements will be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Trustee or the Administrator on behalf of the Issuer, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto will be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the Income Certification and supporting information supplied by the Very Low Income Tenant in determining qualification for occupancy of the Very Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with paragraph (c) above and that if upon any such certification such tenant's Adjusted Income exceeds the applicable Very Low Income Tenant income limit under paragraph (b) above, such tenant may cease to qualify as a Very Low Income Tenant, and such tenant's rent is subject to increase.

Tax-Exempt Status of the Bonds

The Borrower and the Issuer, as applicable, each represents, as of the date of the Regulatory Agreement, and warrants and agrees therein that:

(a) The Borrower and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the tax-exempt nature of the interest on the Bonds and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Borrower and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Borrower, the Issuer and the Trustee, in order to insure that the requirements and restrictions of the Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Regulatory Agreement in the real property records of the County.

Additional Requirements of the Act

In addition to the requirements set forth above, so long as any Bonds are outstanding the Borrower agrees to comply with each of the requirements of Section 52080 of the California Health and Safety Code set forth under Section 6 of the Regulatory Agreement, as described below:

(a) Not less than 20% of the total number of dwelling units in the Project will be available for occupancy on a priority basis to Very Low Income Tenants. The units made available to meet this requirement will be of comparable quality and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(b) The rental payments for the Very Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) will not exceed 30% of an amount equal to 50% of the median adjusted gross income for the Area, based upon the following assumed household sizes for the following sizes of residential units in the Project:

<u>Size of Units</u>	<u>Assumed Number of Persons in Household for Affordable Units</u>
Studio	1
One bedroom	2
Two bedrooms	3
Three bedrooms	4
Four bedrooms	5
Five or more bedrooms	As determined by HUD

(c) The Borrower will accept as tenants, on the same basis as all other prospective tenants, low-income tenants who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower will not permit any selection criteria to be applied to Section 8 certificate or voucher holders that are more burdensome than the criteria applied to all other prospective tenants.

(d) The units reserved for occupancy as required by paragraph (a) above will remain available on a priority basis for occupancy at all times during the Qualified Project Period.

(e) During the three (3) years prior to the expiration of the Qualified Project Period, the Borrower will continue to make available to eligible households Very Low Income Units that have been vacated to the same extent that nonreserved units are made available to noneligible households.

(f) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the Bonds, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by paragraph (a) above will remain available to any eligible tenant occupying a Very Low Income Unit at the date of such expiration or termination, at the rent determined by paragraph (b) above, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause, as defined in the Act, (3) 55 years after the date of the commencement of the Qualified Project Period, and (4) the Borrower pays the relocation assistance and benefits to households as provided in Section 7264(b) of the Government Code of the State.

(g) The covenants and conditions of the Regulatory Agreement will be binding upon successors in interest of the Borrower.

(h) The Regulatory Agreement will be recorded in the office of the county recorder of the County, and will be recorded in the grantor-grantee index to the names of the Borrower as grantor and to the name of the Issuer as grantee.

CDLAC Requirements

The Borrower will comply with the conditions set forth in Exhibit A of the CDLAC Resolution (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated into the Regulatory Agreement by reference and made a part thereof. The Borrower will prepare and submit to CDLAC (with a copy to the Issuer), not later than each anniversary of the Closing Date (or at such other times as required by CDLAC), until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached to said CDLAC Resolution, executed by an authorized representative of the Borrower. The Issuer and the Administrator will have no obligation to monitor the Borrower's compliance with the CDLAC Conditions. The requirements contained in this paragraph may be waived in writing by CDLAC in its sole and absolute discretion, without the consent of the Issuer or the Trustee. CDLAC and the Issuer each will have the right (but no obligation whatsoever) to enforce the CDLAC Conditions and to pursue an action for

specific performance or other available remedy at law or in equity, provided that any such action or remedy will not materially adversely affect the interests and rights of the Bondholders.

Enforcement

If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of thirty (30) days after notice thereof will have been given by the Issuer or the Trustee to the Borrower, or for a period of thirty (30) days from the date the Borrower should, with due diligence, have discovered such default, then the Issuer or the Trustee, acting on its own behalf or on behalf of the Issuer (to the extent directed in writing by the Issuer, subject to the provisions of the Indenture), will declare an “Event of Default” to have occurred under the Regulatory Agreement; provided, however, that if the default is of such a nature that it cannot be corrected within thirty (30) days, such default will not constitute an Event of Default thereunder so long as (i) the Borrower institutes corrective action within said thirty (30) days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Bond Counsel, the failure to cure said default within thirty (30) days will not adversely affect the tax-exempt status of interest on the Bonds. The Issuer and the Trustee will have the right to enforce the obligations of the Borrower under the Regulatory Agreement within shorter periods of time than are otherwise provided therein if necessary in the opinion of Bond Counsel to insure compliance with the Act or the Code.

Following the declaration of an Event of Default under the Regulatory Agreement the Issuer or the Trustee may, at their respective options, take any one or more of the following steps, in addition to all other remedies provided by law or equity:

(i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants under the Regulatory Agreement or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee thereunder;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;

(iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower thereunder; and

(iv) declare a default under the Financing Agreement and (subject to any applicable cure periods set forth in the Financing Agreement) proceed with any remedies provided therein.

The Borrower agrees that specific enforcement of the Borrower’s agreements contained in the Regulatory Agreement is the only means by which the Issuer may fully obtain the benefits of such agreements made by the Borrower therein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower thereunder.

The Trustee will have the right, in accordance with the Regulatory Agreement and the provisions of the Indenture, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer thereunder; provided that prior to taking any such action the Trustee will give the Issuer written notice of its intended action. After the Indenture has been discharged, the Issuer may act on its own behalf to declare an “Event of Default” to have occurred and to take any one or more of the steps specified thereinabove to the same extent and with the same effect as if taken by the Trustee.

All fees, costs and expenses of the Trustee and the Issuer incurred in taking any action pursuant to Section 17 of the Regulatory Agreement, “Default; Enforcement” will be the sole responsibility of the Borrower.

No breach or default under the Regulatory Agreement will defeat or render invalid the Security Instrument or any like encumbrance upon the Project or any portion thereof given in good faith and for value.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE BANK REIMBURSEMENT AGREEMENT

The following statements are a brief summary of certain provisions of the Bank Reimbursement Agreement that have not been described elsewhere in this Official Statement. The summary does not purport to be complete, and reference is made to the Bank Reimbursement Agreement for a full and complete statement of the provisions thereof. Capitalized terms used in this Appendix E and not otherwise defined herein will have the meanings set forth for those terms in the Bank Reimbursement Agreement.

The Letter of Credit is issued pursuant to the Bank Reimbursement Agreement which obligates the Borrower, among other things, to reimburse the Bank for funds advanced by the Bank under the Letter of Credit and to pay various fees and expenses, in each case as provided in the Bank Reimbursement Agreement.

The Bank Reimbursement Agreement sets forth various affirmative and negative covenants of the Borrower, some of which are more restrictive with respect to the Borrower than similar covenants in the Financing Agreement.

The Bank and the Borrower may agree at any time to alter, modify or amend the terms of the Bank Reimbursement Agreement, including the events which constitute “Events of Defaults” thereunder, without notice to or consent of any owners of the Bonds or the Trustee. Furthermore, the Bank may unilaterally waive any Event of Default which may occur under the terms of the Bank Reimbursement Agreement, without notice to or consent of any other person. Accordingly, there should be no expectation on the part of any prospective purchaser of the Bonds that the occurrence of an Event of Default under the Bank Reimbursement Agreement will necessarily result in implementation of remedies by the Bank or in the call of any or all of the Bonds for mandatory tender or redemption under the Indenture.

Money in the Project Account of the Loan Fund may be disbursed by the Trustee to or for the account of the Borrower only by means of a requisition approved by the Bank. The Bank Reimbursement Agreement sets forth certain conditions to such approval, including without limitation (i) compliance with plans and specifications approved by the Bank, (ii) compliance with a budget approved from time to time by the Bank, (iii) the occurrence of no Event of Default or event which, with the giving of notice or the passage of time, or both, would be an Event of Default under the Bank Reimbursement Agreement, (iv) the occurrence of no “Event of Default” or failure of performance under the Indenture, the Financing Agreement or the Regulatory Agreement (collectively, the “Bond Documents”) or various other documents referred to in the Bank Reimbursement Agreement as “Loan Documents,” or other event that requires mandatory redemption of the Bonds or event that, with the giving of notice of the passage of time, or both, would be such an Event of Default of failure of performance or event requiring mandatory redemption of the Bonds, and (v) delivery of certain invoices, lien releases and other documents by the Owner and by suppliers of labor and materials to the Project. After the closing of the Bonds, the Bank is not obligated to consent to disbursement from the Loan Fund until certain conditions set forth in the Bank Reimbursement Agreement are satisfied or waived by the Bank. The Bank does not assure that these procedures will insure that the Project will remain on budget or that the proceeds of the Bonds will be sufficient to fund the costs of construction of the Project, and the Bank undertakes no duty to the Trustee or to any Bondholder to insure that the Borrower complies with plans, specifications, budgets or other project-related documents.

The obligations of the Borrower under the Bank Reimbursement Agreement are secured by liens in favor of the Bank upon the Project and related tangible and intangible personal property and guaranties of certain individuals who are principals in partners of the Borrower. Among the liens in favor of the Bank that secure obligations of the Borrower under the Bank Reimbursement Agreement are the Security Instrument. The Security Instrument contains an absolute assignment of leases and rents. Foreclosure of the Security Instrument and payment and cancellation of the Bonds may result in termination of the Regulatory Agreement. Bonds tendered for purchase, not remarketed and purchased with the proceeds of a drawing upon the Letter of Credit will be subject to a security interest in favor of the Bank.

Events of Default

The occurrence of any of the following events will be an “Event of Default” under the Bank Reimbursement Agreement:

(1) The Borrower will fail to pay within five (5) days of the date when due any amount due to the Bank under the Bank Reimbursement Agreement, to reimburse the Bank for any drawing under the Letter of Credit, or will fail to pay when due, and after the expiration of any cure periods, any other amount due to the Bank under the Bank Reimbursement Agreement or under any of the other Letter of Credit Documents.

(2) Any Bond funds on deposit in any accounts established under the Indenture will become subject to any writ, judgment, warrant or attachment, and such writ, judgment, warrant or attachment will not be released or bonded within ten (10) days, or any such funds will be seized or executed upon by any person.

(3) Any representation or warranty of the Borrower or any Significant Party, (a) contained in the Bank Reimbursement Agreement or any of the other Letter of Credit Documents, (b) contained in any certificate delivered in connection with the Letter of Credit Documents, or (c) made to the Bank concerning the financial condition or creditworthiness of the Borrower or any Significant Party, will prove to have been false or misleading in any material respect when made.

(4) The occurrence of a Determination of Taxability.

(5) An “Event of Default,” will occur under any of the Letter of Credit Security Documents or any of the Issuer Security Documents, following the expiration of any applicable grace period.

(6) There will occur an “Event of Default,” as that term is defined in the Indenture, following the expiration of any applicable grace period.

(7) There will occur an “event of default” (as such term is used in the Issuer Financing Agreement) under any of the Bond Documents following the expiration of any applicable grace period.

(8) Any payment obligation of the Borrower under the Bank Reimbursement Agreement or under the Issuer Financing Agreement or any other material term of the Bank Reimbursement Agreement or any of the other Related Documents, will at any time for any reason cease to be valid and binding on the Borrower, or the validity or enforceability thereof will be contested or denied by the Borrower, any Significant Party or any governmental agency or authority, subject to any applicable cure periods set forth in the Issuer Financing Agreement.

(9) The Borrower becomes insolvent or the Borrower voluntarily suspends the transaction of business or there is an attachment, execution or other judicial seizure of any portion of the Borrower's assets and such seizure is not discharged within thirty (30) days.

(10) Without the application or consent of the Borrower or any Significant Party, (a) a receiver, trustee, custodian or similar officer will be appointed for the Borrower or for any Significant Party, or for any substantial part of such person's property, or (b) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation, or similar proceedings under the laws of any jurisdiction will be instituted (by petition, application, or otherwise) against the Borrower or any Significant Party; and such appointment or proceedings will remain undischarged or undismissed for a period of 90 days.

(11) The Borrower or any Significant Party will (a) admit in writing its inability to pay its debts when due, or (b) make an assignment for the benefit of creditors, or (c) apply for or consent to the appointment of any receiver, trustee, custodian, or similar officer for the Borrower or for any Significant Party, or for any substantial part of such person's property, or (d) institute (by petition, application, or otherwise) or consent to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation, or similar proceedings under the laws of any jurisdiction against the Borrower or any Significant Party, or (e) approve or adopt any resolution or otherwise authorize action to approve any of the foregoing.

(12) The Borrower will dissolve or any Member of the Borrower will commence any action or proceeding which seeks as one of its remedies the dissolution of the Borrower.

(13) Any final, unappealable and uninsured money judgment or judgments in the aggregate sum of \$100,000 or more will be rendered against the Borrower or any Significant Party or its assets which is not paid within 30 days of it becoming final, or any writ or warrant of attachment, or similar process will be entered or filed against the Borrower or any Significant Party or any of its assets (which might have a materially adverse effect upon the ability of the Borrower or the Significant Parties, as a whole, to perform their obligations under the Bank Reimbursement Agreement or under the Related Documents), and such judgment, writ, warrant or process will remain unsatisfied, unsettled, unvacated, unbonded and unstayed for a period of 60 days or in any event later than five Business Days prior to the date of any proposed sale thereunder.

(14) The Borrower will fail to keep in force and effect any material permit, license, consent or approval required under the Bank Reimbursement Agreement and will fail to cure such lapse within thirty (30) days or such earlier date as may be required to permit construction or operation of the Project to continue.

(15) The Borrower will fail, after any applicable cure periods, in any material respect to comply with or perform its obligations under the Regulatory Agreements and such failure would be reasonably expected to have a material adverse affect on the Project, the Borrower or Bank's security.

(16) The occurrence of any "ERISA Default", as that term is defined in the Bank Reimbursement Agreement.

(17) The Borrower will fail to perform or observe any term, covenant or condition contained in the Bank Reimbursement Agreement relating to the maintenance of insurance, relating to protection of the Lien of the Second Deed of Trust or relating to insurance and condemnation proceeds.

(18) The Borrower will cause or permit any “transfer” of all or any portion of the Project in violation of the Bank Reimbursement Agreement.

(19) Any Member in the Borrower will withdraw from the Borrower without the Bank’s prior written consent, except as permitted under the Bank Reimbursement Agreement.

(20) Any of the Related Documents will be amended or any material term thereof waived without the Bank’s written consent; provided that any such document may be amended to reflect changes required by a rating agency in order to obtain a rating on the Bonds if in the Bank’s reasonable judgment such amendment will not materially adversely affect the interest of the Bank.

(21) Borrower or General Contractor does not proceed continuously with the construction of the Improvements or the construction of the Improvements is otherwise discontinued for a period of twenty (20) consecutive business days or more, for any reason.

(22) Any person obtains an order or decree in any court of competent jurisdiction enjoining the construction of the Improvements or enjoining or prohibiting Borrower or Bank or either of them from performing the Bank Reimbursement Agreement, and such proceedings are not discontinued and such decree is not vacated within thirty (30) days after the granting thereof.

(23) If any bonded notice to withhold funds is served on Bank in accordance with the provisions of applicable California law or similar provisions of any other state if the Property is not situated in California and within twenty (20) days of the receipt of such notice the claim set forth therein is not discharged or, if the amount claimed is disputed in good faith by Borrower or General Contractor, an appropriate counter bond or equivalent acceptable to Bank is filed with Bank.

(24) The failure of Borrower to cause the Project to be completed on or before the Completion Date.

(25) The Borrower will fail to perform or observe any term, covenant or condition contained in the Bank Reimbursement Agreement or in any of the Letter of Credit Documents which is not specifically provided for in the Bank Reimbursement Agreement and such other failure to perform is not cured within thirty (30) days of written notice from Bank (unless a shorter notice and/or cure period is set forth in the Bank Reimbursement Agreement or other Letter of Credit Document).

(26) The Borrower will fail to deliver or cause to be delivered to Bank the documents and materials, or otherwise satisfy each of the conditions, set forth in the Bank Reimbursement Agreement.

(27) There will occur an event of default under the Forward Committee Fee Note or the Forward Commitment Fee Deed of Trust following the expiration of any applicable grace period.

(28) The failure to comply with any of the terms and conditions or the occurrence of any default and/or event of default under the Fannie Mae Documents, following expiration of any applicable cure or grace periods.

(29) There will occur any default or event of default by Borrower or Fannie Mae under the Fannie Mae Construction Phase Financing Agreement.

(30) There will occur an event of default under the OPA following the expiration of any applicable cure period.

(31) If the Borrower has delivered the Equity Letter of Credit to the Bank pursuant to the Bank Reimbursement Agreement, the failure of the issuer of the Equity Letter of Credit to honor a draw on the Equity Letter of Credit; the expiration or termination of the Equity Letter of Credit prior to the date which is fifteen (15) days after the then Expiration Date, the failure of the Borrower to cause the stated amount of the Equity Letter of Credit to be increased or to amend, renew, replace or confirm the Equity Letter of Credit in accordance with the Bank Reimbursement Agreement.

Acceleration Upon Default; Remedies

Upon the occurrence of any Event of Default, Bank may, at its sole option, do any or all of the following:

(1) Upon the occurrence of an Event of Default that is not cured within any grace period specifically applicable to such Event of Default, the Bank will, at its option, and in accordance with the terms of the Fannie Mae Financing Agreement and the Indenture have the right to notify the Bond Trustee of the occurrence of such Event of Default and to request that the Bond Trustee accelerate the Borrower's obligations under the Issuer Financing Agreement and (a) call all or a portion of the Bonds for redemption in accordance with the Indenture and the Issuer Financing Agreement, or (b) request that all Bonds be tendered in accordance with the Indenture, the Issuer Financing Agreement and the Fannie Mae Financing Agreement, or (c) request that all Bonds be tendered for purchase by Bank as Bank Bonds in accordance with the Indenture, and the Issuer Financing Agreement and the Fannie Mae Financing Agreement. Upon the occurrence of any Event of Default, whether or not the Bond Trustee draws upon the Letter of Credit to redeem or cause the tender of Bonds as a result thereof, the Bank (i) will have all the rights and remedies provided in the Bank Reimbursement Agreement and in the other Related Documents, including, without limitation, the right to enforce any Liens granted under the Bank Reimbursement Agreement and the Letter of Credit Security Documents, (ii) will have the right to demand that the Borrower immediately purchase from the Bank all Bank Bonds purchased by the Bank in accordance with the Indenture, and the Issuer Financing Agreement and the Fannie Mae Financing Agreement for a purchase price equal to the price paid by Bank for said Bonds without presenting any demand, protest or requirement of any kind, all of which is expressly waived by Borrower; and (iii) will have the option to declare (1) all sums then owing to the Bank under the Bank Reimbursement Agreement or under any of the other Letter of Credit Documents, plus (2) pursuant to the Bank Reimbursement Agreement, a sum equal to the then Stated Amount of the Letter of Credit, immediately due and payable by the Borrower to the Bank, without presentment, demand, protest, or notice of any kind; provided that upon the occurrence of any Event of Default described in the Bank Reimbursement Agreement, the above described sums will automatically become immediately due and payable without the necessity of any such declaration by the Bank.

(2) Upon the occurrence of an Event of Default (that is not cured within any grace period which is specifically applicable to such Event of Default), the Bank will have the right, to the extent permitted by law, to impound and take possession of books, records, notes and other documents evidencing the Borrower's accounts, accounts receivable and other claims for payment of money, arising in connection with the Project, or request the servicer to take such action and to give notice or request the servicer to give notice to the obligors thereunder of the Bank's interest therein, and to make direct collections on such accounts, accounts receivable and claims for the benefit of the Bank.

(3) Upon the occurrence of an Event of Default (that is not cured within any grace period which is specifically applicable to such Event of Default), the Bank may, at any time and from time to time, without notice to the Borrower or any other person (any such notice being expressly waived), set off and appropriate and apply, against and on account of any obligations and liabilities of the Borrower to the Bank arising under or connected with the Bank Reimbursement Agreement and the other Letter of Credit

Documents, irrespective of whether or not the Bank will have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured, any and all deposits (general or special, including but not limited to Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other Indebtedness at any time held or owing by the Bank to or for the credit or the account of the Borrower or any Member of the Borrower.

(4) The Bank will have the right to cure any default under any of the Related Documents but will have no obligation to do so.

(5) Upon the occurrence and during the continuance of an Event of Default under the Bank Reimbursement Agreement, an amount equal to the sum of (a) the then Stated Amount of the Letter of Credit, (b) any unreimbursed drawings thereunder, and (c) any and all amounts due to the Bank, under the Bank Reimbursement Agreement, or under any of the Related Documents will immediately, upon written demand by the Bank, become due and payable under the Bank Reimbursement Agreement by the Borrower to the Bank and without presentment, further demand, protest or other requirement of any kind, all of which are expressly waived by the Borrower, such amount will be immediately deposited in a special interest bearing account with the Bank as collateral security to be held for the benefit of the Bank, and for the reimbursement of any drawings under the Letter of Credit and other amounts due and payable under the Bank Reimbursement Agreement and under any of the other Related Documents.

(6) If the Equity Letter of Credit has been delivered to Bank pursuant to the Bank Reimbursement Agreement, upon the occurrence of an Event of Default (that is not cured within any grace period which is specifically applicable to such Event of Default), the Bank will be entitled, in its sole and absolute discretion, to (i) draw on the Equity Letter of Credit and hold the proceeds of the Equity Letter of Credit in the Letter of Credit Funds Account in accordance with the terms of the Bank Reimbursement Agreement; (ii) draw on the Equity Letter of Credit and apply all or any portion of the proceeds of the Equity Letter of Credit to redeem all or a portion of the Bonds as more particularly provided in the Indenture or purchase of the Bonds in lieu of redemption as provided in the Indenture; or (iii) draw on the Equity Letter of Credit and apply all or any portion of the proceeds of the Equity Letter of Credit to amounts owing by the Borrower to the Bank pursuant to the Bank Reimbursement Agreement or the other Letter of Credit Documents including, but not limited to, losses or expenses suffered or incurred by the Bank as a result of such Event of Default. Nothing in the Bank Reimbursement Agreement will obligate the Bank to apply all or any portion of the proceeds of the Equity Letter of Credit, to cure any Event of Default or to redeem Bonds. No application or proceeds of the Equity Letter of Credit by Bank will be deemed to cure any Event of Default.

(7) All remedies of the Bank provided for in the Bank Reimbursement Agreement are cumulative and will be in addition to any and all other rights and remedies available under the other Letter of Credit Documents or any other document or by law or equity. No exercise by the Bank of any right or remedy will in any way constitute a cure or waiver of any Event of Default under the Bank Reimbursement Agreement, or invalidate any act done pursuant to any notice of default, or prejudice the Bank in the exercise of any other right or remedy available to the Bank. No failure on the part of the Bank to exercise, and no delay in exercising, any right or remedy will operate as a waiver or otherwise preclude enforcement of any of its rights and remedies; nor will any single or partial exercise of any right or remedy preclude any further exercise thereof or of any other right or remedy. The Bank need not resort to any particular right or remedy before exercising or enforcing any other.

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE FANNIE MAE REIMBURSEMENT AGREEMENT

The following statements are a brief summary of certain provisions of the Fannie Mae Reimbursement Agreement that have not been described elsewhere in this Official Statement. The summary does not purport to be complete, and reference is made to the Fannie Mae Reimbursement Agreement for a full and complete statement of the provisions thereof.

The Credit Facility is issued pursuant to the Fannie Mae Reimbursement Agreement which obligates the Borrower, among other things, to reimburse Fannie Mae for funds advanced by Fannie Mae under the Credit Facility and to pay various fees and expenses, in each case as provided in the Fannie Mae Reimbursement Agreement.

The Fannie Mae Reimbursement Agreement sets forth various affirmative and negative covenants of the Borrower, some of which are more restrictive with respect to the Borrower than similar covenants in the Financing Agreement.

Events of Default

The occurrence of any one or more of the following events constitutes an event of default under the Fannie Mae Reimbursement Agreement:

(a) the Borrower fails to pay when due any amount payable by the Borrower under the Fannie Mae Reimbursement Agreement, the Note, the Financing Agreement, the Security Instrument or any other Transaction Document (as defined in the Fannie Mae Reimbursement Agreement); or

(b) the occurrence of any Event of Default under any Transaction Document other than the Reimbursement Agreement beyond any cure period set forth in the Transaction Document; or

(c) fraud or material misrepresentation or material omission by Borrower, or any of its officers, directors, trustees, general partners or managers, Key Principal or any guarantor:

(1) contained in the Fannie Mae Reimbursement Agreement, the Certificate of Borrower or any other Borrower Document or any certificate delivered by the Borrower to Fannie Mae or to the Loan Servicer pursuant to the Fannie Mae Reimbursement Agreement or any other Borrower Document; or

(2) in connection with (i) the application for or creation of the Loan or the Credit Enhancement Commitment or the Liquidity Commitment provided by the Credit Enhancement Instrument, (ii) any financial statement, rent roll, or other report or information provided to Fannie Mae or the Loan Servicer during the term of the Fannie Mae Reimbursement Agreement or the Loan, or (iii) any request for Fannie Mae's consent to any proposed action, including a request for disbursement of funds under any Collateral Agreement; or

(d) a Tax Event (as that term is defined in the Indenture) occurs; or

(e) (i) the Borrower fails to pay when due or within any applicable grace period any amount payable by the Borrower under any Hedging Arrangement, or (ii) the occurrence of any other default or event of default, however described, by the Borrower under any Hedging Arrangement; or

(f) the Borrower fails to perform its obligations under the Fannie Mae Reimbursement Agreement by no later than the Liquidity Action Date if the Liquidity Expiration Date (other than a Liquidity Expiration Date which is on or after the Credit Enhancement Expiration Date, the Credit Enhancement Termination Date or the Maturity Date) is not extended for any reason; or by no later than the Liquidity Action Date if the Liquidity Expiration Date (other than a Liquidity Expiration Date which is on or after the Credit Enhancement Expiration Date, the Credit Enhancement Termination Date or the Maturity Date) is not extended for any reason; or

(g) any failure by the Borrower to perform or observe any of its obligations under the Fannie Mae Reimbursement Agreement (other than as set forth in subsections (a) through (d) above), as and when required, which continues for a period of 30 days after notice of such failure by Fannie Mae or the Loan Servicer to the Borrower, but no such notice or grace period will apply in the case of any such failure which could, in Fannie Mae's or the Loan Servicer's judgment, absent immediate exercise by Fannie Mae of a right or remedy under the Fannie Mae Reimbursement Agreement, result in harm to Fannie Mae, impairment of the Note, the Fannie Mae Reimbursement Agreement, the Security Instrument or any other security given under any other Transaction Document.

Remedies Upon an Event of Default

Upon the occurrence of an Event of Default under the Fannie Mae Reimbursement Agreement, the Obligations (as defined in the Fannie Mae Reimbursement Agreement) and all amounts owing under the Fannie Mae Reimbursement Agreement may be declared by Fannie Mae to become immediately due and payable without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, Fannie Mae will have the right to take such action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of Fannie Mae against the Borrower and/or in and to the Project, including, but not limited to, any one or more or all of the following actions:

(a) deliver to the Trustee written notice that an Event of Default has occurred under the Fannie Mae Reimbursement Agreement and direct the Trustee to take such action pursuant to the Transaction Documents as Fannie Mae may determine, including a request that the Trustee declare the principal of all or a portion of the Bonds then Outstanding and the interest accrued thereon to be immediately due and payable in accordance with the terms and conditions of the Indenture;

(b) demand cash collateral or Permitted Investments in an amount equal to the maximum liability of Fannie Mae under the Credit Enhancement Instrument whether or not then due and payable by Fannie Mae; and

(c) exercise any rights and remedies available to Fannie Mae under the Transaction Documents.

Waivers

Fannie Mae will have the right, in its discretion, to waive any Event of Default under the Fannie Mae Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted will extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

APPENDIX G

FORM OF PROPOSED OPINION OF BOND COUNSEL

March 18, 2005

ABAG Finance Authority For
Nonprofit Corporations
101 Eighth Street
Oakland, California 94607-4756

OPINION: \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the ABAG Finance Authority for Nonprofit Corporations (the "Issuer") of its \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A (the "Bonds"), pursuant to Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act"), and a Trust Indenture, dated as of March 1, 2005 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, as trustee, approved by the Issuer by a resolution adopted February 28, 2005. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Indenture and in the certified proceedings and other certifications of public officials and of The Crossing Apartment Associates II LLC, a Delaware limited liability company (the "Borrower"), furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Issuer is a joint exercise of powers authority, duly organized and existing under the laws of the State of California, with the power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.
2. The Indenture has been duly approved by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. The Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable solely from the sources provided therefor in the Indenture.

5. Until any Reset Date or Fixed Rate Adjustment Date (as such terms are defined in the Indenture), the interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the “Code”). It should be noted, however, that such interest is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX H

FORM OF THE LETTER OF CREDIT

COMERICA BANK IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. 599785-43

March 18, 2005

Wells Fargo Bank, National Association, as Trustee
555 Montgomery Street, 10th Floor
San Francisco, California 94111
Attention: Corporate Trust Department

Ladies and Gentlemen:

At the request and for the account of our customer, The Crossing Apartment Associates II LLC, a Delaware Limited Liability Company (the "Borrower"), Comerica Bank (the "Bank") hereby establishes in your favor this Irrevocable Direct Pay Letter of Credit ("Letter of Credit"). This Letter of Credit is issued to Wells Fargo Bank, National Association, as trustee ("you," or the "Trustee") under that certain Trust Indenture (the "Indenture") dated as of March 1, 2005 and executed by ABAG Finance Authority for Nonprofit Corporations (the "Issuer") and the Trustee, relating to the \$49,600,000.00 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing) Series 2005A (the "Bonds"). Reference is also made to that certain Financing Agreement (the "Financing Agreement") dated as of March 1, 2005 and executed by the Issuer, the Trustee and the Borrower. Subject to the terms and conditions herein, this Letter of Credit authorizes you to draw on us an amount not exceeding Fifty Million One Hundred Fifty-Four Thousand Four Hundred Thirty-Three and No/100 Dollars (US \$50,154,433) (as such amount may be reduced or reinstated as provided herein, the "Stated Amount"), of which (i) Forty-Nine Million Six Hundred Thousand and No/100 Dollars (US \$49,600,000.00) shall be with respect to the principal of the Bonds (as reduced and reinstated from time to time, in accordance with the terms hereof, the "Principal Portion"), and (ii) Five Hundred Fifty-Four Thousand Four Hundred Thirty-Three and No/100 Dollars (US \$554,433) shall be with respect to up to thirty-four (34) days' accrued interest on the Bonds at a rate of twelve percent (12%) per annum (on the basis of a 365 or 366 day year, as applicable) (as reduced and reinstated from time to time, in accordance with the terms hereof, the "Interest Portion").

Subject to the other provisions of this Letter of Credit, you or your transferee may obtain the funds available under this Letter of Credit by presentment to us of your sight draft or drafts drawn on Comerica Bank, 201 Spear Street, Suite 200, San Francisco, California 94105, Attention: International Trade Services. Each draft presented to us must be accompanied by your signed and dated certification in the form of one or more of the Annexes described below, as may be applicable to the type of drawing you are making (each such demand and presentation, a "Drawing"). You must comply with all of the instructions in brackets in preparing each such certification.

Annex A (Periodic Interest Demand With Reinstatement Request). If you are demanding funds with respect to a scheduled interest payment on the Bonds in accordance with the Indenture, and such amount is to be reinstated immediately following the Drawing, each such draft must be accompanied by your Annex A certification (an "Interest Drawing"). You may not make an Interest Drawing more frequently than once per calendar month.

Annex B (Principal and Interest Demand Without Reinstatement Request). If you are demanding funds with respect to the payment of principal and interest on the Bonds in connection with a redemption of less than all of the Bonds or purchase of less than all of the Bonds in lieu of redemption in accordance with the Indenture, which amount is not to be reinstated following the Drawing, each such draft must be accompanied by your Annex B certification (a “Partial Redemption Drawing”).

Annex C (Principal and Interest Demand; Bond Tender). If you are demanding funds with respect to the payment of principal and interest on the Bonds in connection with a purchase of Bonds tendered or deemed tendered by one or more holders of Bonds in accordance with Section 4.01 or Section 4.02 of the Indenture, each such draft must be accompanied by your Annex C certification (a “Tender Drawing”).

Annex D (Final Drawing). If you are demanding funds with respect to the payment of principal and interest on the Bonds in connection with redemption of all of the Bonds, a purchase of all outstanding Bonds in lieu of redemption, acceleration of all of the Bonds, defeasance of all of the Bonds or the maturity of all of the Bonds, such draft must be accompanied by your Annex D certification (a “Final Drawing”). Only one draft accompanied by an Annex D certification may be presented for payment against this Letter of Credit; upon any such presentation, this letter of credit shall become null and void.

The amount drawn in any Interest Drawing, and the amount drawn in respect of payment of interest on the Bonds in any Partial Redemption Drawing, Tender Drawing or Final Drawing, shall not exceed the Interest Portion.

For all Drawings other than Tender Drawings, in each case where we have received a draft as described above, your remittance instructions and one or more of the certificates described above at or prior to 11:00 a.m., San Francisco time (hereinafter referred to as “Local Time”), on a Business Day (as defined below), we will make payment by 10:00 a.m., Local Time, on the following Business Day. If a certificate is received after 11:00 a.m., Local Time, we will make payment by 10:00 a.m., Local Time on the second succeeding Business Day.

For all Tender Drawings, in each case where we have received a draft as described above, your remittance instructions and the Annex C certification described above at or prior to 9:00 a.m., Local Time, on a Business Day (as defined below), we will make payment by 1:00 p.m., Local Time, on the same Business Day. If a certificate is received after 9:00 a.m., Local Time, we will make payment by 10:00 a.m., Local Time on the following Business Day.

Demands for payment hereunder honored by the Bank shall not, in the aggregate, exceed the Stated Amount, as the Stated Amount may have been reduced or reinstated by us as provided herein. Subject to the preceding sentence, each Drawing honored by the Bank hereunder shall reduce the Stated Amount hereof by the amount of such Drawing. Demands for payment hereunder with respect to the principal on the Bonds shall not, in the aggregate, exceed the Principal Portion. Demands for payment hereunder with respect to interest on the Bonds shall not, in the aggregate, exceed the Interest Portion. The Stated Amount may, following reduction as a result of presentation of Drawings, be reinstated only as follows:

(a) With respect to a Tender Drawing, upon receipt by the Bank of (i) a certificate substantially in the form of Annex G attached hereto from you, and (ii) the payment amount set forth in Section 2 of such Annex G, the Principal and/or Interest Portion components of the Stated Amount shall be automatically reinstated in the amounts shown on such Annex G.

(b) On the date of payment by the Bank on each Interest Drawing presented in full compliance with the terms and conditions of this Letter of Credit, the Interest Portion of this Letter of Credit shall automatically and immediately be reinstated by an amount equal to the amount of that Interest Drawing after such reinstatement, the Interest Portion of the Stated Amount of this Letter of Credit shall be the same as it was immediately prior to such Drawing.

Each Drawing presented for payment against this Letter of Credit and each accompanying certification must be dated the date of its presentation to us, and may be presented only on a Business Day. As used in this Letter of Credit, "Business Day" shall mean any day other than (i) a Saturday, Sunday, legal holiday or (ii) a day on which banking institutions in California are authorized or required to be closed. Drafts must be marked conspicuously "Drawn under Comerica Bank Irrevocable Direct Pay Letter of Credit No. 599785-43." The certifications you are required to submit to us along with your Drawing should be prepared either: (i) in the form of a letter on your letterhead signed by your officer, or (ii) in the form of a facsimile copy of such a letter sent by one of your officers to: (415) 896-2982, with prior telephone notice to us (current telephone number (415) 905-2055 or (415) 905-2008) (or such other telecopier or telephone numbers as we may provide to you from time to time). Each certification shall have all blanks appropriately filled in and shall be duly executed by your authorized officer and the original of such facsimile certificate shall not be required.

Other than the foregoing provisions for communication by facsimile copy, communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at Comerica Bank, 201 Spear Street, Suite 200, San Francisco, CA 94105, Attention: International Trade Services (or such other address as we may provide to you from time to time), specifically referring to the number and date of this Letter of Credit.

If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the purported demand was not effected in accordance with this Letter of Credit, stating the reasons therefor and that we are holding documents at your disposal or are returning them to you, as we may elect. Upon being notified that the purported demand was not effected in conformity with this Letter of Credit, you may attempt to correct any such nonconforming demand for payment if, and to the extent that, you as Trustee are entitled (without regard to the provisions of this sentence) and able to do so.

By paying you an amount demanded in accordance with this Letter of Credit, we make no representations as to the correctness of the amount demanded or your calculations and representations on the certificates required by you by this Letter of Credit.

This Letter of Credit shall expire on the earliest of: (i) March 30, 2008, (ii) when any draft accompanied by your certification substantially in the form of Annex D to this Letter of Credit is honored and paid by us, or (iii) the day on which this Letter of Credit is surrendered by the Trustee to the Bank, accompanied by a certificate substantially in the form of Annex F to this Letter of Credit.

Payments of Drawings under this Letter of Credit shall be made from funds of the Bank in immediately available funds and not from any moneys provided to the Bank by the Borrower, the Issuer or any party related to the Borrower or the Issuer.

This Letter of Credit shall be governed by and construed in accordance with the International Standby Practice ISP 98, and, to the extent not inconsistent therewith, the laws of the State of California.

This Letter of Credit is transferable. Transfer may be made to any person or entity whom you or any transferee hereunder designate as a successor trustee under the Indenture. Transfer of the available Drawing under this Letter of Credit to such transferee shall be effected by the presentation to us of this

Letter of Credit accompanied by a request designating your successor in the form of Annex E (Transfer Demand) attached hereto, with the signature of the appropriate officer signing on your behalf authenticated by another one of your officers, and the payment of One Thousand Dollars (\$1,000) paid by the Account Party as a transfer fee.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the Annexes and drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such Annexes and drafts.

Very truly yours,

COMERICA BANK

By: _____
Its: _____

ANNEX A
(Periodic Interest Demand With Reinstatement Request)

COMERICA BANK
Irrevocable Direct Pay Letter Of Credit No. 599785-43

Comerica Bank
201 Spear Street, Suite 200
San Francisco, CA 94105
Attention: International Trade Services

Re: Drawing for Interest Due on Scheduled Interest Payment Date

Ladies and Gentlemen:

We refer to your Letter of Credit No. 599785-43 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Indenture (the "Indenture") dated as of March 1, 2005, relating to the \$49,600,000.00 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments At The Crossing) Series 2005A (the "Bonds").

2. We hereby make demand under the Letter of Credit, by our presentment of the sight draft accompanying this Certificate, for payment of \$_____ representing accrued and unpaid interest on the Bonds with respect to a scheduled interest payment on an Interest Payment Date pursuant to the Indenture.

3. The amount of the draft accompanying this Certificate does not exceed the Interest Portion available on the date hereof to be drawn under the Letter of Credit in respect of interest accrued on the Bonds. This amount was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in Paragraph 4 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 10:00 a.m., San Francisco time ("Local Time"), on _____ [if this certificate and an accompanying draft are delivered at or before 11:00 a.m., Local Time, then insert a date which is the next Business Day; if this certificate and an accompanying draft are delivered after 11:00 a.m., Local Time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

5. Please reinstate the Letter of Credit by the amount specified in Paragraph 2 of this Certificate in accordance with the terms set forth in the Letter of Credit; following such reinstatement, the Interest Portion of the Stated Amount shall be the same as it was immediately prior to this Drawing.

6. The amount demanded hereby is not being drawn, and will not be applied, in respect of any Bonds currently registered in the name of or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Tender Agent, Trustee or any other person for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the ___ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
[Insert name and title of authorized officer]

ANNEX B

(Principal and Interest Demand Without Reinstatement Request;

Partial Redemption or Purchase in Lieu Thereof)

**COMERICA BANK
Irrevocable Direct Pay Letter Of Credit No. 599785-43**

Comerica Bank
201 Spear Street, Suite 200
San Francisco, CA 94105
Attention: International Trade Services

Re: Drawing for Partial Redemption of the Bonds

Ladies and Gentlemen:

We refer to your Letter of Credit No. 599785-43 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Indenture (the "Indenture") dated as of March 1, 2005, relating to the \$49,600,000.00 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments At The Crossing) Series 2005A (the "Bonds").

2. We hereby make demand under the Letter of Credit for payment of \$_____, of which \$_____ shall be with respect to the principal of certain of the Bonds and shall reduce the Principal Portion of the Stated Amount, and \$_____ shall be with respect to interest to be paid on the Bonds and shall reduce the Interest Portion of the Stated Amount, which total amount is due with respect to a redemption of less than all of the Bonds, or a purchase of less than all of the Bonds in lieu of redemption, pursuant to the Indenture.

3. The portion of the draft accompanying this Certificate with respect to principal of the Bonds does not exceed the Principal Portion of the Stated Amount available on the date hereof to be drawn under the Letter of Credit, and the portion of such draft with respect to interest to be paid on the Bonds does not exceed the Interest Portion available on the date hereof to be drawn under the Letter of Credit in respect of payment of interest on the Bonds. The amount of the draft accompanying this Certificate was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in Paragraph 4 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 10:00 a.m., San Francisco time ("Local Time"), on _____ [if this certificate and an accompanying draft are delivered at or before 11:00 a.m., Local Time, then insert a date which is the next Business Day; if this certificate and an accompanying draft are delivered after 11:00 a.m., Local Time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us,

please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

5. Upon application of the amount with respect to principal of the Bonds set forth in paragraph 2 of this Certificate, there shall be outstanding \$_____ principal amount of the Bonds and the Stated Amount of the Letter of Credit shall be \$_____, the Principal Portion of the Stated Amount shall be \$_____, and the Interest Portion of the Stated Amount shall be \$_____.

6. The amount demanded hereby is not being drawn, and will not be applied, in respect of any Bonds currently registered in the name of or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Tender Agent, Trustee or any other person for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the ___ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
[Insert name and title of authorized officer]

ANNEX C
(Principal and Interest Demand; Bond Tender)

COMERICA BANK
Irrevocable Direct Pay Letter Of Credit No. 599785-43

Comerica Bank
201 Spear Street, Suite 200
San Francisco, CA 94105
Attention: International Trade Services

Re: Drawing for Purchase of Bonds

Ladies and Gentlemen:

We refer to your Letter of Credit No. 599785-43 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Indenture (the "Indenture") dated as of March 1, 2005, relating to the \$49,600,000.00 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments At The Crossing) Series 2005A (the "Bonds").

2. We hereby make demand under the Letter of Credit for payment of \$_____, of which \$_____ shall be with respect to the principal of certain of the Bonds, and \$_____ shall be with respect to interest to be paid on the Bonds, which total amount is due with respect to the payment of all or a portion of the purchase price of Bonds tendered by holders of Bonds pursuant to Section 4.01 or Section 4.02 of the Indenture.

3. The portion of the draft accompanying this Certificate with respect to principal on the Bonds does not exceed the Principal Portion of the Stated Amount available on the date hereof to be drawn under the Letter of Credit, and the portion of such draft with respect to interest to be paid on the Bonds does not exceed the Interest Portion of the Stated Amount available on the date hereof to be drawn under the Letter of Credit in respect of payment of interest on the Bonds. The amount of the draft accompanying this Certificate was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in Paragraph 4 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 1:00 p.m., San Francisco time ("Local Time"), on _____ [if this certificate and an accompanying draft are delivered at or before 9:00 a.m., Local Time, then insert a date which is the same Business Day; if this certificate and an accompanying draft are delivered after 9:00 a.m. Local Time, but at or before 2:00 p.m., Local Time, then insert a date which is the next Business Day; if this certificate and an accompanying draft are delivered after 2:00 p.m., Local Time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer]

the amount hereby demanded to our account number _____ [insert account number]
with _____ [insert name and address of banking institution to receive funds].

5. The amount demanded hereby is not being drawn, and will not be applied, in respect of any Bonds currently registered in the name of or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Tender Agent, Trustee or any other person for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the ___ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
[Insert name and title of authorized officer]

ANNEX D
(Final Drawing)

COMERICA BANK
Irrevocable Direct Pay Letter Of Credit No. 599785-43

Comerica Bank
201 Spear Street, Suite 200
San Francisco, CA 94105
Attention: International Trade Services

Re: Final Drawing and Termination

Ladies and Gentlemen:

We refer to your Letter of Credit No. 599785-43 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Indenture (the "Indenture") dated as of March 1, 2005, relating to the \$49,600,000.00 Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments At The Crossing) Series 2005A (the "Bonds").

2. We hereby make demand for payment of \$_____ of which \$_____ shall be with respect to the principal of the Bonds, and \$_____ shall be with respect to interest, if any, on the Bonds.

3. This Drawing is being made as a result of the maturity, acceleration, defeasance (in accordance with the terms of the Indenture) or redemption of all outstanding Bonds, or a purchase of all outstanding Bonds in lieu of redemption, in accordance with the terms and conditions of the Bonds and the Indenture.

4. The portion of the draft accompanying this Certificate in respect to payment of principal of the Bonds does not exceed the Principal Portion of the Stated Amount available on the date hereof to be drawn, and the portion of such draft in respect to the payment of interest on the Bonds does not exceed the Interest Portion of the Stated Amount available on the date hereof to be drawn in respect of payment of interest on the Bonds, under the Letter of Credit. This amount was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in Paragraph 5 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture or is the date that the Bonds will be defeased in accordance with the terms of the Indenture resulting in the discharge of the Indenture. The Letter of Credit has not terminated prior to the delivery of this Certificate and the accompanying draft.

5. The sight draft accompanying this Certificate constitutes the final Drawing under the Letter of Credit and upon payment of such draft, the Letter of Credit is canceled. We request that the payment hereby demanded be made not later than 10:00 a.m., San Francisco time ("Local Time"), on _____ [if this Certificate and an accompanying draft are delivered at or before 11:00 a.m., Local Time, insert a date which is a Business Day and which is the next Business Day; if this certificate and an accompanying draft are delivered after 11:00 a.m., Local Time, insert a date which is a Business

Day and is no earlier than the second succeeding Business Day following the date these documents are delivered]. Please [deposit/wire transfer] the amount hereby demanded to our account number _____[insert account number] with _____ [insert name and address of banking institution to receive funds].

6. The amount demanded hereby is not being drawn, and will not be applied, in respect of any Bonds currently registered in the name of or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Tender Agent, Trustee or any other person for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the ___ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
[Insert name and title of authorized officer]

ANNEX E
(Transfer Demand)

COMERICA BANK
Irrevocable Direct Pay Letter Of Credit No. 599785-43

Comerica Bank
201 Spear Street, Suite 200
San Francisco, CA 94105
Attention: International Trade Services

Re: Instruction to Transfer Letter of Credit No. 599785-43

Ladies and Gentlemen:

For value received, the undersigned beneficiary (the "Transferor") hereby irrevocably transfers to:

[Name of Transferee and Address]

(the "Transferee") all rights of the Transferor with respect to the above-referenced Letter of Credit (the "Letter of Credit"), including the right to draw under the Letter of Credit in the amount of the full unutilized balance thereof. Said Transferee has succeeded the Transferor as Trustee under that certain Indenture dated as of March 1, 2005 (the "Indenture") with respect to the \$49,600,000.00 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments At The Crossing) Series 2005A (the "Bonds").

By virtue of this transfer, the Transferee shall have the sole rights as beneficiary of the Letter of Credit, including sole rights relating to any past or future amendments thereof, whether increases or extensions or otherwise. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the Transferor.

By its signature below, the Transferee acknowledges that it has duly succeeded the Transferor as Trustee under the Indenture, and agrees to be bound by the terms of the Indenture as if it were the original Trustee thereunder.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and to forward it directly to the Transferee with your customary notice of transfer.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the
__ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
[Insert name and title of authorized officer]

SIGNATURE OF THE ABOVE PARTY,
DULY AUTHORIZED TO ACT ON BEHALF
OF [insert name of Trustee],
AUTHENTICATED

By: _____
[Insert name and title]

ANNEX F
(Surrender Certificate)

COMERICA BANK
Irrevocable Direct Pay Letter Of Credit No. 599785-43

Comerica Bank
201 Spear Street, Suite 200
San Francisco, CA 94105
Attention: International Trade Services

Ladies and Gentlemen:

We refer to your Letter of Credit No. 599785-43 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Indenture for the holders of \$49,600,000.00 Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments At The Crossing) Series 2005A (the "Bonds").

2. We hereby surrender the attached Letter of Credit to you.

3. The Letter of Credit is hereby terminated in accordance with its terms.

4. No payment is demanded of you in connection with this surrender of the Letter of Credit.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the ____ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
[Insert name and title of authorized officer]

ANNEX G
(Trustee Certificate)

COMERICA BANK
Irrevocable Direct Pay Letter Of Credit No. 599785-43

Comerica Bank
201 Spear Street, Suite 200
San Francisco, CA 94105
Attention: International Trade Services

Re: Irrevocable Letter of Credit No. 599785-43

Ladies and Gentlemen:

The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee"), hereby notifies Comerica Bank (the "Bank"), with reference to Irrevocable Direct Pay Letter of Credit No. _____ (the "Letter of Credit", the terms defined therein and not otherwise defined herein shall have the meanings set forth in the Letter of Credit) issued by the Bank in favor of the Trustee as follows:

1. _____ is the Remarketing Agent under the Indenture for the holders of the Bonds.
2. The Trustee has been advised by the Borrower or Remarketing Agent that the amount of \$_____ paid to the Bank today by the Borrower or the Remarketing Agent on behalf of the Borrower is a payment made to reimburse the Bank for amounts drawn under the Letter of Credit pursuant to a Tender Drawing.
3. Of the amount referred to in Paragraph 2, \$_____ represents the aggregate principal amount of Bonds resold or to be resold on behalf of the Borrower and shall increase the Principal Portion of the Stated Amount.
4. Of the amount referred to in Paragraph 2, \$_____ represents accrued and unpaid interest on such Bonds and shall increase the Interest Portion of the Stated Amount.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the
__ day of _____, ____.

Very truly yours,

[Insert Name of Trustee]
as Trustee

By: _____
[Insert name and title of authorized officer]

APPENDIX I

PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY

**DIRECT PAY
IRREVOCABLE TRANSFERABLE
CREDIT ENHANCEMENT INSTRUMENT**
(Paragon Apartments at the Crossing)

[Closing Date]

U.S. \$ _____

Relating to Loan No. _____

Wells Fargo Bank, National Association, as Trustee
555 Montgomery Street, 10th Floor
MAC A0167-102
San Francisco, California 94111

At the request of The Crossing Apartment Associates II LLC. (“**Borrower**”), Fannie Mae (“**Fannie Mae**”) issues this direct pay irrevocable, transferable Credit Enhancement Instrument (“**Credit Enhancement Instrument**”) to Wells Fargo Bank, National Association (“**Trustee**”), not in its individual or corporate capacity but solely as Trustee for the owners of \$49,600,000 aggregate principal amount of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A (“**Bonds**”) issued pursuant to the Trust Indenture (“**Indenture**”) dated as of March 1, 2005 between ABAG Finance Authority for Nonprofit Corporations (“**Issuer**”) and the Trustee.

1. Definitions. Capitalized terms used in this Credit Enhancement Instrument have the meanings given to those terms in this Section 1 or elsewhere in this Credit Enhancement Instrument.

“**Advance**” means a Credit Enhancement Advance or a Liquidity Advance.

“**Affiliate**” as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For the purposes of this definition, “control” (including with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

“**Amount Available**” has the meaning given that term in Section 2.

“**Business Day**” means any day other than:

(a) a Saturday or a Sunday;

(b) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close;

(c) any day on which banking institutions located in the city or cities in which the Designated Office (as that term is defined in the Indenture) of the Trustee or the Loan Servicer leave in for immediate funding is located are required or authorized by law or executive order to close;

(d) prior to the date upon which the interest rate on the Bonds adjusts to a fixed rate mode, a day on which the New York Stock Exchange is closed or on which banking institutions located in the city in which the Remarketing Agent is located are required or authorized by law or executive order to close; or

(e) any day on which Fannie Mae is closed.

“CEI Expiration Date” means the date on which this Credit Enhancement Instrument expires in accordance with Section 9(a).

“CEI Termination Date” means the date on which this Credit Enhancement Instrument terminates in accordance with Section 9(b).

“Certificate” means any certificate in the form attached to this Credit Enhancement Instrument as an Exhibit or such other form as provided in Section 3. If the certificate is submitted to Fannie Mae by personal delivery or by telecopy, the certificate must be signed by one who purports to be an authorized officer of the Trustee. If the certificate is submitted to Fannie Mae in any other medium (such as e-mail or a web based medium), the certificate must be authenticated as provided in the related Presentation Protocol.

“Credit Enhancement Advance” means an Issuer’s Fee Advance, Interest Advance or Principal Advance, as such terms are defined in Section 3.

“Credit Enhancement Expiration Date” means, subject to Section 7(c), the date the obligation of Fannie Mae to make Credit Enhancement Advances expires, if not earlier terminated.

“Credit Enhancement Instrument” means this Credit Enhancement Instrument as the same may be amended, supplemented or restated from time to time.

“Credit Enhancement Termination Date” means, subject to Section 7(c), the date on which the obligation of Fannie Mae to make Credit Enhancement Advances terminates as provided in Section 7(b).

“Excluded Bond” means any Bond which is not Outstanding (as that term is defined in the Indenture), any Bond registered in the name of or otherwise owned, directly or indirectly, by the Borrower or any Affiliate of the Borrower or any Pledged Bond.

“Interest Portion” has the meaning given that term in Section 2.

“Issuer’s Fee” means that portion of the Issuer’s regularly scheduled monthly fee equal to 0.02% of the outstanding principal amount of the Bonds.

“Issuer’s Fee Portion” has the meaning given that term in Section 2.

“Liquidity Advance” has the meaning given that term in Section 3.

“Liquidity Expiration Date” has the meaning given that term in Section 8(a), subject to Sections 8(b) and (c).

“Liquidity Termination Date” means, subject to Section 8(e), the date on which the obligation of Fannie Mae to make Liquidity Advances terminates as provided in Section 8(d).

“Loan” means the mortgage loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance the acquisition of the property financed by the Loan.

“Loan Servicer” means initially GMAC Commercial Mortgage Corporation or any other entity approved by Fannie Mae in its discretion as the servicer of the Loan, and any permitted successors or assigns.

“Maturity Date” means March 15, 2040.

“Note” means the Multifamily Note (together with all addenda thereto) dated as of the date hereof, executed by the Borrower in favor of the Issuer, as the same may be amended, supplemented or restated from time to time or any mortgage note executed in substitution therefor in accordance with the terms of the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

“Pledged Bond” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Borrower with the proceeds of a Liquidity Advance, to, but excluding, the date on which the Liquidity Advance made by the Credit Provider on account of such Pledged Bond is reinstated under this Credit Enhancement Instrument.

“Presentation Protocol” means an agreement between Fannie Mae and the Trustee regarding one or more media through which the Trustee may present Certificates to Fannie Mae under this Credit Enhancement Instrument, as such agreement may be amended, supplemented or restated from time to time.

“Principal Portion” has the meaning given that term in Section 2.

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of [DATE], between Fannie Mae and the Borrower, as such agreement may be amended, supplemented or restated from time to time.

“Remarketing Agent” means the remarketing agent under the Indenture.

“Reset Rate” means the rate of interest borne by the Bonds as determined in accordance with Section 2.6 of the Indenture.

“Tender Agent” means the tender agent under the Indenture.

“Trustee” means Wells Fargo Bank, National Association, a national banking association, not in its individual or corporate capacity, but solely as trustee under the Indenture, or any permitted successor trustee under the Indenture.

“Weekly Variable Rate” means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period (as that term is defined in the Indenture) in accordance with the Indenture.

2. **Amount Available.** Subject to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae irrevocably authorizes the Trustee to draw on Fannie Mae, from time to time, a maximum aggregate amount not exceeding \$[_____] (as such amount may be reduced or reinstated from time to time in accordance with Section 10, “**Amount Available**”), of which:

(a) up to \$[_____] (“**Principal Portion**”) may be drawn with respect to the unpaid principal of the Bonds or, as the case may be, the principal portion of the purchase price of the Bonds;

(b) up to \$[_____] (“**Interest Portion**”), or 34 days interest on the Bonds (calculated at an assumed rate on the Bonds of 12% per annum on the basis of a year of 365 days), may be drawn with respect to interest actually accrued on the Bonds or, as the case may be, the interest portion of the purchase price of the Bonds; and

(c) up to \$ [_____] (“**Issuer’s Fee Portion**”) may be drawn with respect to the Issuer’s Fee.

3. **Advances.** Each demand for an Advance shall be made by the Trustee’s presentation to Fannie Mae of a Certificate as follows:

(a) **Credit Enhancement Advances.** Credit Enhancement Advances shall be:

(i) in the form of Exhibit A to pay principal of the Bonds (other than Excluded Bonds) due as a result of the acceleration, defeasance, redemption, stated maturity thereof, a mandatory tender at the expiration of a Reset Period or a mandatory tender during a Fixed Rate Period under Section 4.2(b) or the Indenture (“**Principal Advance**”);

(ii) in the form of Exhibit B to pay interest on the Bonds (other than Excluded Bonds) on or prior to their stated maturity date (“**Interest Advance**”);

(iii) in the form of Exhibit C to pay the Issuer’s Fee if not paid when due (“**Issuer’s Fee Advance**”).

(b) **Liquidity Advances.** Liquidity Advances shall be in the form of Exhibit D to pay principal of, plus accrued interest on, Bonds tendered for purchase pursuant to the Indenture (other than with respect to the mandatory tenders described in Section 3(a)(i) above) (“**Liquidity Advance**”).

Any Certificate submitted to Fannie Mae by the Trustee shall have all blanks appropriately completed and shall be signed by one who states therein that he or she is an authorized officer of the Trustee. Fannie Mae’s obligation to honor any demand for an Issuer’s Fee Advance is a standby obligation, payable if the Issuer’s Fee is not otherwise paid, and Fannie Mae’s obligation to honor any demand for all other Advances is a direct pay obligation, without regard to whether the Borrower has made any such payment.

Neither demands for, nor Advances, may be made under this Credit Enhancement Instrument to pay (i) principal of, interest on or the purchase price of, any Excluded Bond, (ii) premium that may be payable upon the redemption of any of the Bonds or (iii) interest that may accrue on any of the Bonds on or after the maturity of such Bond.

Fannie Mae may amend the form of any Certificate or delete any of the information, statements and certifications set out in the form of any Certificate to accommodate the sending of such Certificate by a medium pursuant to a Presentation Protocol. No such amendment may (i) require any additional information, statement or certification than that required by such form of certificate attached to this Credit Enhancement Instrument on the date of issuance, (ii) modify the timing for the presentation of such

Certificate, and the payment thereof, or (iii) require personal delivery with respect to the presentation of any Certificate with respect to which payment is to be made on the same Business Day.

4. Presentation of Certificates. Each Certificate must be given to Fannie Mae by:

(a) personal delivery at 3900 Wisconsin Avenue, Washington, D.C. 20016, Attention: Director, Multifamily Operations – Direct Pay Bonds; or

(b) telecopy to phone number (301) 280-2042, immediately followed by telephonic notice to the Director, Multifamily Operations – Direct Pay Bonds at telephone number (301) 204-8422; or

(c) such other medium as Fannie Mae and the Trustee may agree in a Presentation Protocol from time to time.

A Presentation Protocol may provide that the Trustee may not submit a Certificate by telecopy after a stated date or may only submit Certificates by telecopy after a certain date with the prior written permission of Fannie Mae, in which case subsection (b) shall be automatically deemed amended to that effect.

Fannie Mae will notify the Trustee in writing of any change in address or telecopy number to which all Certificates must be delivered or of any change relating to the person to be called for telephonic notices confirming telecopy communications. Any such written notice shall be effective upon receipt by the Trustee.

5. Fannie Mae's Engagement. Upon due receipt by Fannie Mae of a Certificate conforming to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae will honor payment of the amount specified in such Certificate if presented as specified below on or before the earlier of the Expiration Date or the Termination Date:

(a) If a presentation in respect of a Principal Advance or Interest Advance is made on or before the earlier of the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date:

(i) at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the next following Business Day.

(ii) after 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the second following Business Day.

(b) If a presentation in respect of a Liquidity Advance relating to a mandatory tender pursuant to Section 4.2(b) of the Indenture is made on or before the earlier of the Liquidity Expiration Date or the Liquidity Termination Date:

(i) at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the next following Business Day.

(ii) after 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the second following Business Day.

(c) If a presentation in respect of a Liquidity Advance (other than a Liquidity Advance relating to a mandatory tender pursuant to Section 4.2(b) of the Indenture) is made on or before the earlier of the Liquidity Expiration Date or the Liquidity Termination Date:

(i) at or prior to 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:30 p.m. Eastern time on the same Business Day.

(ii) after 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:30 p.m. Eastern time on the next following Business Day.

(d) If a presentation in respect of an Issuer's Fee Advance is made on or before the earlier of the CEI Expiration Date or the CEI Termination Date:

(i) at or prior to 5:00 p.m. Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the fifth Business Day following such presentation.

(ii) after 5:00 p.m. Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the sixth Business Day following such presentation.

All Advances made under this Credit Enhancement Instrument will be made with Fannie Mae's own funds in immediately available funds.

6. Nonconforming Tender. If a demand for payment under this Credit Enhancement Instrument made by the Trustee does not conform to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae will notify the Trustee of such lack of conformity within a reasonable time after delivery of such demand for payment, such notice to be promptly confirmed in writing to the Trustee, and Fannie Mae shall hold all documents at the Trustee's disposal or, at the Trustee's option, return the same to the Trustee.

7. Expiration and Termination: Credit Enhancement Advances.

(a) **Credit Enhancement Expiration.** Subject to subparagraph (c), the obligation of Fannie Mae to make Credit Enhancement Advances under this Credit Enhancement Instrument shall expire at 4:00 p.m. Eastern time on March 21, 2040 ("**Credit Enhancement Expiration Date**").

(b) **Termination Before Credit Enhancement Expiration Date.** Subject to subparagraph (c), the obligation of Fannie Mae to make Credit Enhancement Advances under this Credit Enhancement Instrument shall automatically terminate prior to the Credit Enhancement Expiration Date on the first to occur of: (i) the honoring by Fannie Mae of an Advance which automatically and permanently reduces the Principal Portion to zero, (ii) 4:00 p.m. Eastern time on the day following the last day of any period during which the Bonds bear interest at a Reset Rate unless Fannie Mae has notified the Trustee prior to such date that it elects to waive such termination, and (iii) Fannie Mae's receipt of a Certificate in the

form of Exhibit E (which shall be conclusive evidence of the matters set forth therein). The date determined in the preceding sentence is the “**Credit Enhancement Termination Date.**”

(c) **Business Day Convention.** In the event that any date on which the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date would otherwise occur is not a Business Day, such date shall be 4:00 p.m. Eastern time on the next Business Day.

8. Expiration and Termination: Liquidity Advances.

(a) **Liquidity Expiration.** Subject to subparagraph (e), the obligation of Fannie Mae to make Liquidity Advances under this Credit Enhancement Instrument shall expire on the first to occur of (i) 4:00 p.m. Eastern time on [insert the date 10 years from the Conversion Date] or such later date as is deemed to be the Liquidity Expiration Date pursuant to subsection (b) and (ii) the Credit Enhancement Expiration Date (“**Liquidity Expiration Date**”).

(b) **Automatic Extensions of Liquidity Expiration Date.** Subject to subsection (c), the Liquidity Expiration Date automatically will be deemed extended by one additional calendar year on each [insert the day and month of the Conversion Date] (beginning with [insert the date 10 years from the Conversion Date]). Any automatic extension which would extend the Liquidity Expiration Date beyond the Maturity Date will only extend the Liquidity Expiration Date to (and including) the Maturity Date.

(c) **No Further Automatic Extensions of Liquidity Expiration Date.** Subsection (b) shall cease to be effective from and after the first to occur of:

(i) the Liquidity Termination Date;

(ii) the Credit Enhancement Expiration Date;

(iii) the Maturity Date; and

(iv) the sending of written notice to the Trustee by Fannie Mae to the effect that subsection (b) shall cease to be effective from and after the sending of such notice in which case, the then outstanding Liquidity Expiration Date shall remain unchanged and no further extension of the Liquidity Expiration Date will occur under subsection (b).

(d) **Liquidity Termination Before Liquidity Expiration Date.** Subject to subparagraph (e), the obligation of Fannie Mae to make Liquidity Advances under this Credit Enhancement Instrument shall automatically terminate prior to the Liquidity Expiration Date on the first to occur of: (i) the honoring by Fannie Mae of an Advance which automatically and permanently reduces the Principal Portion to zero, (ii) 4:00 p.m. Eastern time on the second day following the last day of any period during which the Bonds bear interest at a Weekly Variable Rate, (iii) Fannie Mae’s receipt of a Certificate in the form of Exhibit E (which shall be conclusive evidence of the matters set forth therein) and (iv) the Credit Enhancement Termination Date. The date determined in the preceding sentence is the “**Liquidity Termination Date.**”

(e) **Business Day Convention.** In the event that any date on which the Liquidity Expiration Date or the Liquidity Termination Date would otherwise occur is not a Business Day, such date shall be 4:00 p.m. Eastern time on the next Business Day.

9. Expiration and Termination: Credit Enhancement Instrument.

(a) **Expiration.** This Credit Enhancement Instrument shall expire upon the later of the Credit Enhancement Expiration Date and the Liquidity Expiration Date (“**CEI Expiration Date**”).

(b) **Termination Before CEI Expiration Date.** This Credit Enhancement Instrument shall automatically terminate prior to the CEI Expiration Date on the later to occur of the Credit Enhancement Termination Date and the Liquidity Termination Date (“**CEI Termination Date**”).

(c) **Delivery.** Upon the CEI Expiration Date or the CEI Termination Date, whichever first occurs, the Trustee shall deliver this Credit Enhancement Instrument to Fannie Mae for cancellation.

10. Reduction and Reinstatement of Amount Available. The Amount Available shall be reduced or reinstated from time to time in accordance with this Section.

(a) **Automatic Reduction on Making any Advance.** The Amount Available shall be reduced automatically by the amount of each Advance paid by Fannie Mae, notwithstanding any act or omission, whether authorized or unauthorized, of the Trustee or any officer, director, employee or agent of the Trustee in connection with any Advance or the proceeds of such Advance or otherwise in connection with this Credit Enhancement Instrument. Each reduction shall be permanent or subject to reinstatement as provided in this Section. Such reduction shall be applied to the Principal Portion, the Interest Portion and the Issuer’s Fee Portion as appropriate for the Advance to which the reduction relates.

(b) **Permanent Reduction for each Principal Advance.** The Principal Portion, and Interest Portion and Issuer’s Fee Portion shall be reduced automatically and permanently upon the making of any Principal Advance as follows:

(i) the Principal Portion will be reduced by the amount of the Principal Advance;
and

(ii) the Interest Portion will be reduced by an amount equal to 35 days of interest (calculated at the rate of 12% per annum on the basis of a year of 365 days) on the amount of the related permanent reduction of the Principal Portion; and

(iii) the Issuer’s Fee Portion will be reduced in an amount equal to 0.02% multiplied by the amount of the related permanent reduction of the Principal Portion.

(c) **Permanent Reduction on Notice from the Trustee.** The Amount Available shall be reduced automatically by the amounts specified in any Certificate in the form of Exhibit F which is delivered to Fannie Mae. Such reduction shall be applied to the Principal Portion, the Interest Portion and the Issuer’s Fee Portion as set out in the Certificate.

(d) **Reinstatement of Interest Portion for Interest Advance.** Except for a permanent reduction of the Interest Portion under subsection (b)(ii), the amount of the Interest Portion reduced by an Interest Advance shall be reinstated immediately and automatically.

(e) **Reinstatement of Liquidity Advance.** The Principal Portion and the Interest Portion shall be reinstated after each Liquidity Advance upon receipt by Fannie Mae of money equal to the amount by which the Trustee requests Fannie Mae to increase the Principal Portion and the Interest Portion in a Certificate of Reinstatement in the form of Exhibit G.

(f) **Reinstatement of Issuer's Fee Advance.** Except for a permanent reduction of the Issuer's Fee Portion under subsection (b)(iii), the amount of the Issuer's Fee Portion reduced by an Issuer's Fee Advance shall be reinstated immediately and automatically.

Upon any permanent reduction of the Amount Available, Fannie Mae may deliver to the Trustee a substitute Credit Enhancement Instrument in exchange for this Credit Enhancement Instrument, in an amount available equal to the then current Amount Available, but otherwise having terms identical to this Credit Enhancement Instrument.

11. Discharge of Obligations. Only the Trustee may demand an Advance under this Credit Enhancement Instrument. Upon payment to the Trustee of the amount specified in any Certificate presented under this Credit Enhancement Instrument, Fannie Mae shall be fully discharged of its obligation under this Credit Enhancement Instrument with respect to such Certificate and Fannie Mae shall not thereafter be obligated to make any further payment to the Trustee or any other person (including the Issuer, with respect to payment of the Issuer's Fee) in respect of such Certificate for payment of principal of, purchase price of, or interest on any Bond, or payment of the Issuer's Fee.

12. Nature of Fannie Mae's Obligations. Fannie Mae's obligation to make Advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of this Credit Enhancement Instrument is absolute, unconditional and irrevocable, shall be fulfilled strictly in accordance with this Credit Enhancement Instrument, and shall not be affected by any right of set-off, recoupment or counterclaim Fannie Mae might otherwise have against the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Borrower, the Loan Servicer or any other person.

Fannie Mae's obligations under this Credit Enhancement Instrument are primary obligations and shall not be affected by the performance or non-performance by the Issuer under the Indenture or the Bonds or by the Borrower under the Note or the Reimbursement Agreement or by the performance or non-performance of any party under any other agreement between or among any of the Issuer, the Trustee, the Borrower or Fannie Mae.

13. Transfer. This Credit Enhancement Instrument may be successively transferred in whole only to each successor Trustee under the Indenture. Any such transfer shall be effective upon receipt by Fannie Mae of a signed copy of the instrument effecting such transfer signed by the transferor and by the transferee in the form attached as Exhibit H (which shall be conclusive evidence of such transfer). In each such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Credit Enhancement Instrument in the transferor's place.

14. Notices and Deliveries. All documents, notices and other communications, other than Certificates, shall be in writing and personally delivered to Fannie Mae at the address (and to the attention of the party) set out in Section 4(a) or may be sent to Fannie Mae by telecopy immediately followed by telephonic notice as set out in Section 4(b), as such address, telephone and telecopy numbers and parties to whom such notices are sent are changed by Fannie Mae pursuant to Section 4.

15. Governing Law. This Credit Enhancement Instrument shall be governed by the laws of the District of Columbia, including the Uniform Commercial Code as in effect in the District of Columbia.

Remainder of page is intentionally blank.

16. Entire Credit Enhancement Instrument. This Credit Enhancement Instrument sets forth in full the terms of Fannie Mae's undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to in this Credit Enhancement Instrument (including, without limitation, the Bonds) or in which this Credit Enhancement Instrument is referred to or to which this Credit Enhancement Instrument relates, except for (i) the Exhibits referred to in this Credit Enhancement Instrument and (ii) any Presentation Protocol, all of which shall be deemed fully incorporated into this Credit Enhancement Instrument as if fully set forth herein.

FANNIE MAE

By: _____
Name: _____
Title _____

Exhibit A

CERTIFICATE FOR “PRINCIPAL ADVANCE”

DIRECT PAY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations – Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (“**Credit Enhancement Instrument**”); \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A

The undersigned, a duly authorized officer of the Trustee named below (“**Trustee**”), certifies to Fannie Mae, with reference to the direct pay Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of \$_____ under the Principal Portion of the Amount Available to be used to pay principal of the Bonds due as a result of the acceleration, defeasance, redemption, stated maturity of the Bonds or a mandatory tender at the expiration of a Reset Period pursuant to the Indenture.

(2) **When the Advance Must be Made.** If this demand for Advance is made:

(a) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the next following Business Day.

(b) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at _____[specify account].

(4) **Amount Available.** Upon the payment of the Advance:

(a) **Reduction of Amount Available.** The Amount Available shall be reduced automatically and permanently by \$[insert amount of reduction] of which:

(i) \$_____ is attributable to the Principal Portion; [and]

(ii) \$_____ is attributable to the Interest Portion[.][and]

[(iii) \$_____ is attributable to the Issuer’s Fee Portion (computed at a rate of 0.____% multiplied by the [original][outstanding] principal amount of the Bonds).]

(b) **New Amount Available.** The Amount Available will be \$_____, of which:

(i) \$_____ will be the Principal Portion; [and]

(ii) \$_____ will be the Interest Portion[.] [and]

[(iii) \$_____ will be the Issuer's Fee Portion (computed at a rate of 0.____% multiplied by the [original][outstanding] principal amount of the Bonds).]

(5) **Other Matters.**

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The principal of the Bonds (other than Excluded Bonds) that is due on **[Trustee: complete this blank using the first Business Day after the date of this Certificate]** is \$_____. The amount of the Advance demanded in Paragraph 1 does not exceed such amount of principal.

(c) The amount of the Advance (i) does not exceed the Principal Portion of the Amount Available on the date of this Certificate and (ii) was computed in accordance with the Bonds and the Indenture.

(d) Upon the payment referred to in Paragraph 1, the aggregate principal amount of all Bonds outstanding will be \$_____.

(e) Upon receipt by the Trustee of the Advance, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1, and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

(f) The proceeds of the Advance demanded by this Certificate will not be applied to any payment on any Excluded Bonds.

(g) The aggregate principal amount of all Excluded Bonds outstanding is \$_____.

(h) The amount of interest (computed at the Maximum Interest Rate (as that term is defined in the Indenture), which currently is _____* percent per annum) on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable), accruing on the Bonds referred to in subparagraph (d) above in any period of ____** days is \$_____.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____.

as Trustee

By:_____
Authorized Officer

* Trustee: Fill in current Maximum Interest Rate.

** Trustee: Fill in number of days of interest coverage required to be supplied by the Interest Portion.

Exhibit B

CERTIFICATE FOR “INTEREST ADVANCE”

DIRECT PAY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations – Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (“**Credit Enhancement Instrument**”); \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A

The undersigned, a duly authorized officer of the Trustee named below (“**Trustee**”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of \$_____ under the Interest Portion of the Amount Available to be used to pay interest on the Bonds (other than Excluded Bonds) on or prior to their stated maturity date.

(2) **When the Advance Must be Made.** If this demand for Advance is made:

(a) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the next following Business Day.

(b) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at _____[specify account].

(4) **Other Matters.**

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The amount of the Advance referred to in Paragraph 1 was computed in accordance with the Bonds and the Indenture and does not exceed the amount of interest that is (i) due on the Business Day following the date of this Certificate on the Bonds and (ii) the Interest Portion of the Amount Available on the date of this Certificate.

(c) Upon receipt by the Trustee of the amount demanded by this Certificate, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

(d) The proceeds of the Advance demanded by this Certificate will not be applied to any payment on any Excluded Bonds.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____ .

as Trustee

By: _____
Authorized Officer

Exhibit C

CERTIFICATE FOR “ISSUER’S FEE ADVANCE”

STAND-BY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations – Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (“**Credit Enhancement Instrument**”); \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A

The undersigned, a duly authorized officer of the Trustee named below (“**Trustee**”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of \$_____ under the Issuer’s Fee Portion of the Amount Available to be used to pay the Issuer’s Fee.

(2) **When the Advance Must be Made.** If this demand for Advance is made:

(a) at or prior to 5:00 p.m. Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the fifth Business Day following such presentation.

(b) after 5:00 p.m. Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the sixth Business Day following such presentation.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at _____[specify account].

(4) **Other Matters.**

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The Borrower has failed to pay the Issuer’s Fee by [date of annual, quarterly or monthly payment].

(c) The amount of the Advance demanded (i) does not exceed the Issuer’s Fee Portion of the Amount Available and (ii) was computed in accordance with the terms and conditions of the Financing Agreement dated _____, _____ among the Issuer, the Trustee and the Borrower.

(d) Upon receipt by the Trustee of the Advance (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____.

_____,
as Trustee

By: _____
Authorized Officer

Exhibit D

CERTIFICATE FOR “LIQUIDITY ADVANCE”

DIRECT PAY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations – Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (“**Credit Enhancement Instrument**”); \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A

The undersigned, a duly authorized officer of the Trustee named below (“**Trustee**”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of \$_____, consisting of (i) \$_____ under the Principal Portion of the Amount Available to be used to pay the principal portion of the purchase price of Bonds and (ii) \$_____ under the Interest Portion of the Amount Available to be used to pay the interest portion of the purchase price of Bonds purchased pursuant to Section 4.1(a), 4.2(a) or 4.2(b) of the Indenture (“**Tendered Bonds**”).

(2) **When the Advance Must be Made.** (Trustee: check applicable box)

- ☐ The Advance relates to a mandatory tender of Bonds pursuant to Section 4.2(b) of the Indenture. Accordingly, if this demand for Advance is made:

(w) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the next following Business Day.

(x) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

- ☐ The Advance does not relate to a mandatory tender of Bonds pursuant to Section 4.2(b) of the Indenture. Accordingly, if this demand for Advance is made:

(y) at or prior to 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the same Business Day.

(z) after 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the next following Business Day.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at _____[specify account].

(4) **Other Matters.**

- (a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The amount demanded pursuant to Paragraph 1 does not exceed the amount necessary, at the time of the presentation of this Certificate to Fannie Mae, to pay the purchase price of the Tendered Bonds which the Remarketing Agent has not remarketed or for which the Remarketing Agent has not received sufficient remarketing proceeds to pay the purchase price of the Tendered Bonds.

(c) The principal component of the aggregate purchase price of the Tendered Bonds that is due on the date of this Certificate is \$_____, and the amount of the Advance relating to the Principal Portion referred to in Paragraph 1 does not exceed such amount of principal. The aggregate accrued interest component of the purchase price of the Tendered Bonds that is due on the date of this Certificate is \$_____ and the amount of the Advance relating to the Interest Portion referred to in Paragraph 1 does not exceed such amount.

(d) On the date of this Certificate, (i) the principal portion of the Advance does not exceed the Principal Portion of the Amount Available and (ii) the interest portion of the Advance does not exceed the Interest Portion of the Amount Available. The amount of the Advance was computed in accordance with the Bonds and the Indenture.

(e) Upon receipt by the Trustee of the Advance demanded by this Certificate, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1

(f) The proceeds of the Advance demanded by this Certificate will not be applied to defease, redeem or pay (whether at stated maturity or by acceleration) any Excluded Bond.

(g) Bonds in a principal amount equal to the Principal Portion of the Advance made under this Certificate will be delivered to **[Custodian]*** or if, and only if, delivery of the Bonds is not possible, a written entitlement order will be delivered to the applicable financial intermediaries on whose records ownership of the Pledged Bonds is reflected directing the intermediaries to credit the security entitlement to the Pledged Bonds to the account of **[Custodian]*** for the benefit of Fannie Mae and a written confirmation of such credit will be delivered to the **[Custodian]***.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____.

as Trustee

By:_____
Authorized Officer

* Fill in name of Custodian under the Pledge Agreement.

Exhibit E

NOTICE OF TERMINATION

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations – Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (“**Credit Enhancement Instrument**”); \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A

The undersigned, a duly authorized officer of the undersigned Trustee (“**Trustee**”), certifies to Fannie Mae, with respect to the Credit Enhancement Instrument, that the Trustee is authorized to file this notice pursuant to the Indenture. Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

The undersigned certifies to Fannie Mae: *

_____ (a) None of the Bonds are Outstanding under the Indenture.

_____ (b) The Trustee has received an Alternate Credit Facility (as such term is defined in the Indenture) as permitted by the Indenture and the Reimbursement Agreement.

* Trustee: Check applicable paragraph

Pursuant to the Indenture we enclose the Credit Enhancement Instrument for cancellation.

Very truly yours,

as Trustee

By: _____
Authorized Officer

Dated: _____

By its execution hereof, [**Name of Borrower**] (“**Borrower**”) hereby certifies to Fannie Mae that all conditions precedent to the cancellation of the Credit Enhancement Instrument and substitution of an Alternate Credit Facility set forth in the Indenture and the Reimbursement Agreement have been satisfied and hereby joins in the Trustee’s instructions to Fannie Mae to cancel the same.

[NAME OF BORROWER]

By: _____
Authorized Officer]

Exhibit F

CERTIFICATE OF REDUCTION

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations – Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (“**Credit Enhancement Instrument**”); \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A

The undersigned, a duly authorized officer of the Trustee named below (“**Trustee**”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The aggregate principal amount of Bonds outstanding has been reduced to \$_____.
- (3) Effective on [insert date]:
 - (a) the Amount Available shall be reduced by \$_____, of which (i) \$_____ is a reduction of the Principal Portion[[and]][[.]] (ii) \$_____ is a reduction of the Interest Portion[[and (iii) \$_____ is a reduction of the Issuer’s Fee Portion]];
 - (b) after such reduction, the Amount Available will be \$_____, of which (i) \$_____ will be the Principal Portion, (ii) \$_____ will be the Interest Portion and (iii) \$_____ will be the Issuer’s Fee Portion; and
 - (c) after such reduction, the Amount Available will be not less than the aggregate unpaid principal amount of the Bonds Outstanding (as that term is defined in the Indenture).

By its execution hereof, [**Name of Borrower**] (“**Borrower**”) certifies to Fannie Mae that the Trustee is authorized to deliver this Certificate to Fannie Mae. The Borrower and the Trustee further certify that the amounts specified in Paragraph 3 have been determined in accordance with the terms and conditions of the Indenture and the Reimbursement Agreement.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee and the Borrower have executed and delivered this Certificate as of the ____ day of _____, ____.

_____,

as Trustee

By: _____
Authorized Officer

[NAME OF BORROWER]

By: _____
Authorized Officer

Exhibit G

CERTIFICATE OF REINSTATEMENT

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations – Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (“**Credit Enhancement Instrument**”); \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A

The undersigned, a duly authorized officer of the Trustee named below (“**Trustee**”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The Trustee has received notification from the Tender Agent that Bonds pledged to Fannie Mae by the Borrower which were acquired with the proceeds of a Liquidity Advance under the Credit Enhancement Instrument are to be remarketed or sold. The Trustee has received and is transferring to Fannie Mae the amount set forth in Paragraph 3.
- (3) Upon receipt by Fannie Mae of this certificate and \$_____, the Amount Available will be increased as follows:
 - (a) the Principal Portion of the Amount Available will be increased by \$_____, but such increase shall not cause the Principal Portion to exceed the original Principal Portion less the sum of (i) all Principal Advances paid by Fannie Mae in accordance with the Credit Enhancement Instrument and (ii) the aggregate of all reductions of the Principal Portion pursuant to any Certificate of the Trustee in the form of Exhibit E; and
 - (b) the Interest Portion of the Amount Available will be increased by \$_____, but such increase shall not cause the Interest Portion to exceed the original Interest Portion less the aggregate of (i) all Interest Advances for interest which have not been reinstated in accordance with the Credit Enhancement Instrument, subject to the reinstatement of such amounts as set forth in the Credit Enhancement Instrument, (ii) all reductions of the Interest Portion due to any permanent reduction of the Principal Portion of the Amount Available and (iii) to the extent not addressed in (ii), all reductions of the Interest Portion pursuant to any Certificate of the Trustee in the form of Exhibit E.
- (4) Fannie Mae shall promptly release or direct Fannie Mae’s custodian in writing to release the Pledged Bonds to the Tender Agent in a principal amount corresponding to the Principal Portion identified in Paragraph 3 or, if such release is not possible, Fannie Mae shall be deemed to consent to the delivery of a written entitlement order to the applicable financial intermediary on whose records ownership of such Pledged Bonds is reflected to credit the ownership entitlement to such Bonds to the account as directed by the Trustee. Such release or deemed consent shall be conclusive evidence of the reinstatement of the Principal Portion and Interest Portion as described in Paragraph 3.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____.

as Trustee

By: _____
Authorized Officer

Exhibit H

CERTIFICATE FOR SUCCESSOR TRUSTEE

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations – Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (“**Credit Enhancement Instrument**”); \$49,600,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Paragon Apartments at the Crossing), Series 2005A

The undersigned is a duly authorized officer of the Trustee under the Indenture for the holders of the Bonds

The Trustee transfers all rights in the Credit Enhancement Instrument to _____, subject to the terms and conditions of the Credit Enhancement Instrument. The Trustee certifies that the transferee is the successor Trustee under the Indenture referred to in the Credit Enhancement Instrument and such successor Trustee has been approved in writing by Fannie Mae. The transferee acknowledges below that it is the successor Trustee. Such successor Trustee has entered into a written agreement to be bound by the Assignment and Intercreditor Agreement dated _____, ____ by and among Fannie Mae, the Trustee and the Issuer.

By this transfer, all rights of the undersigned Trustee in the Credit Enhancement Instrument are transferred to the transferee and the transferee shall have the sole rights as the beneficiary, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned.

Dated: _____

as Trustee

By: _____
Authorized Officer

The above signature of an officer or other authorized representative conforms to that on file with us. Said officer or representative is authorized to sign for said party.

By: _____
Authorized Officer

_____ acknowledges that it is the successor to _____ as Trustee under the Indenture.

By: _____
Authorized Officer